

**CONFIDENTIAL**

STRENGTHENING COMPETITIVE ADVANTAGE  
IN KEY CHANNELS THROUGH SALESFORCE  
AND MERCHANDISING EFFECTIVENESS



Phase 2 - Progress Review - Vince Buccellato

Part 1 - Salesforce - Book #1

July 23, 1986

2024667029

**CONFIDENTIAL**

STRENGTHENING COMPETITIVE ADVANTAGE  
IN KEY CHANNELS THROUGH SALESFORCE  
AND MERCHANDISING EFFECTIVENESS



Phase 2 - Progress Review - Vince Buccellato

Part 1 - Salesforce

July 23, 1986

- Book #1

**2024667030**

## INTRODUCTION

PM-USA retained McKinsey & Company, Inc., to assist it in identifying opportunities for, developing recommendations on, and planning for the implementation of both short- and long-term improvements to its sales and merchandising effectiveness. In our last progress review, we presented the results of Phase 1 - Identification of Opportunities. Subsequent to that review, we agreed to focus our Phase 2 work - Development of Recommendations - on the following areas of opportunity for PM-USA:

1. Future salesforce structure
2. Restructured Incentive Distribution Program (IDP)
3. Other incentive programs for intermediaries
4. Exclusive tobacco distributorships.

In addition, we agreed to provide support to PM-USA in the following areas:

1. Development of analytical tools
2. Retail outlet tests (e.g., with convenience stores).

2024667031

The purpose of today's meeting is to:

1. Review Phase 2 results and recommendations for the first area of opportunity; namely, future salesforce structure.
2. Agree on the focus of the team's work in this area for Phase 3 - Implementation Planning.

Tomorrow, we will review our Phase 2 results and recommendations for the remaining areas.

**2024667032**

## SUMMARY OF PHASE 1 RECOMMENDATIONS - IMPROVING SALESFORCE EFFECTIVENESS

As you recall, in Phase 1, we concluded that several opportunities exist for PM-USA's salesforce to improve its effectiveness, and, hence, for the organization to become more sales-oriented. Specifically, we recommended that PM-USA:

1. Elevate the status of selling throughout the organization by:
  - a. Creating more senior account managers
  - b. Giving Division Managers and Sales Representatives more account selling responsibility
  - c. Increasing senior sales management involvement in account relationship development.
2. Over time, move national account responsibility to the field (except for the few accounts that require headquarter attention).
3. Upgrade selling skills and ensure that the infrastructure is in place to support the field sales organization.

**2024667033**

**SUMMARY OF PHASE 2**  
**SCOPE AND RECOMMENDATIONS -**  
**FUTURE SALESFORCE STRUCTURE**

The overall objective of Phase 2 was to develop recommendations on short- and long-term opportunities for improving sales and merchandising effectiveness.

	PHASE 1	PHASE 2	
<b>Timing</b>	Identification of opportunities	Development of recommendations	Implementation planning
	3 months	Review	Review
<b>Objectives</b>	1. For the short term, identify opportunities for improving sales and merchandising efforts, primarily through analysis of competitors and other packaged goods companies 2. For the long term a. Identify changes (e.g., size, structure, buying, and merchandising practices) within key channels b. Develop alternative scenarios of product and competitor activity within the tobacco industry c. Determine how the selling and merchandising effort would need to be tailored to future channel needs under each scenario	1. Generate and evaluate options for short- and long-term improvement opportunities 2. Develop final recommendations	1. Develop plans for implementing recommendations, including a. Limited test, if indicated b. National rollout 2. Develop plan for building ongoing capability to evaluate sales and merchandising effectiveness and to identify improvement opportunities

2024667034

To develop Phase 2 recommendations on the future salesforce structure, a Sales Task Force was established. These recommendations are the joint responsibility of this Task Force, which had the following participants:

- ¶ Larry Glennie, Director - Field Sales
- ¶ Henry Mize, Director - National Accounts
- ¶ Doug Nelson, Director - Sales Development
- ¶ Larry Zinski, Assistant to Vice President - Sales
- ¶ McKinsey team.

2024667035

The key Sales Task Force efforts were to:

1. Identify and evaluate options for structuring the salesforce. Of the numerous options considered, one of the more attractive is beyond the specific charter of Phase 2. However, based on initial evaluation, this option appears to offer significant advantages. Therefore, the Task Force believes it is appropriate to discuss this option in today's review.
2. Establish criteria for determining which accounts should be assigned key account status in the seven test sections selected by PM-USA.

2024667036

In addition, the McKinsey team has:

1. Held working meetings with all Directors of Region Sales and the Section Sales Managers in the seven test sections\* to determine the number of Key Account Managers required.
2. Developed a key account database for the seven test sections that PM-USA sections/regions can use as a tool in monitoring and planning specific account strategies.

\* See Appendix A for results in seven test sections

2024667037

On the basis of our Phase 2 work and consistent with our Phase 1 conclusions, we recommend that, subject to further evaluation, PM-USA pursue a revised field salesforce structure that eliminates the regions and significantly strengthens the sections, with implementation paced according to the availability of highly skilled Key Account Managers. More specifically, we recommend that PM-USA:

1. Transfer, in a phased approach, national account responsibility to the field
2. Create a senior field position - Key Account Manager - and restructure the section organization to accommodate the new position and to ensure increased emphasis at all levels on account selling. Two restructuring options involving different degrees of change would move towards this objective.

Option A - Strengthen sections by adding Key Account Managers within the existing region and section field structure. This option adds 88 people and costs an additional \$6.2 million.

Option B - Eliminate the regions and strengthen the sections by adding Key Account Managers and changing the senior field structure. This option adds 103 people and costs an additional \$7.9 million.

Although Option B has not been fully evaluated, it appears to offer major advantages and should be pursued further.

3. Ensure that the necessary field and headquarters communications and support systems are in place so that Key Account Managers can become "resident national account experts". Use the key account database to plan and monitor account-specific strategies.

2024667038

In the remainder of this progress review, we discuss:

- ¶ The plan for the phased transfer of national account responsibility to the field, as well as the rationale for keeping certain accounts at headquarters
- ¶ The "guiding principles" for use in restructuring selling responsibility, the two options for a new salesforce structure, and our rationale for recommending that Option B be pursued, subject to further evaluation
- ¶ The support that will be required to enable Key Account Managers to fulfill their responsibilities
- ¶ The next steps required to evaluate further Option B and to facilitate overall planning and implementation.

**2024667039**

2024667040

1 - TRANSFER NATIONAL ACCOUNTS  
TO THE FIELD IN A PHASED APPROACH

The transfer of national account responsibility to the field should be phased to ensure that: (1) the relationships and special programs that have been established with account headquarters personnel are not disrupted, and (2) sufficient field Key Account Managers are trained and in-place to assume responsibility for these accounts at the headquarter level. More specifically, the transfer should occur in three phases:

- ¶ In Phase 1, to take place once Key Account Managers in the affected sections are in-place, 41 of the 72 national accounts should be transferred to the field
- ¶ In Phase 2, to take place between the end of Phase 1 and the end of 1987, up to 9 additional accounts should be transferred to the field
- ¶ In Phase 3, to take place at the end of 1987, 6 additional accounts should be transferred. This leaves 16 national accounts that, because of the growth of special programs, may require constant PM-USA headquarter to account headquarters attention (e.g., Southland, Circle K, Kroger, and McLane).

2024667041

**PHASE 1 - TRANSFER 41 NATIONAL ACCOUNTS  
TO THE FIELD AS SOON AS POSSIBLE**

Of the existing 72 national accounts, 41 would be transferred to the field as soon as Key Account Managers in the affected sections are in-place. In addition, all division-level calls for all national accounts (e.g., Safeway - Denver) would be the responsibility of field Key Account Managers. The 41 accounts recommended for Phase 1 transfer are:

- ¶ 15 supermarket accounts
- ¶ 6 convenience/gas accounts
- ¶ 7 wholesale grocers
- ¶ All drug chains (5)
- ¶ All tobacco distributors (3)
- ¶ 2 mass merchandisers
- ¶ All vendors (2)
- ¶ Price Club.

**2024667042**

The 15 supermarket accounts recommended for transfer in Phase 1 largely:  
 (1) encompass only one or two regions, (2) are the smaller supermarket accounts,  
 and (3) do not currently have a major fixturing program in progress with  
 headquarters.

**NATIONAL ACCOUNT STATUS - PHASE 1  
 SUPERMARKET ACCOUNTS**

<u>Account status</u>	<u>Name of account</u>	<u>Sales ranking in class of trade</u>	<u>Number of regions where stores located</u>	<u>Number of divisions/ operating companies</u>
Remain as national accounts during Phase 1	Safeway	1	6	17
	Kroger	2	7	36/10
	American Stores	3	6	9
	Lucky's	4	5	4
	Winn Dixie	5	4	8
	A & P	6	5	10
	Albertsons	7	5	3
	Supermarkets General	8	2	2
	Grand Union	11	3	4
	Von's	12	1	0
Transfer to the field in Phase 1	Stop N Shop	9	1	2
	Publix	10	1	0
	Giant	13	1	0
	H.E. Butt	14	1	0
	Ralphs	16	1	0
	Food Lion	17	2	0
	First National	18	2	2
	Cullum/Tom Thumb	19	2	2
	HyVee	20	1	1
	BI-Lo	21	1	0
	Borman's	22	2	0
	Wels	24	2	1
	Smith's	25	3	1
	Harris Teeter/Food World	43	2	0
	Farm Fresh	69	2	0

Source: Sales Task Force; Progressive Grocer

1 - 3

2024667043

The same holds true for the convenience/gas accounts that would be transferred in Phase 1, although more of the "second-tier" convenience/gas accounts remain national accounts during Phase 1 because of ongoing programs.

### NATIONAL ACCOUNTS STATUS - PHASE 1 CONVENIENCE/GAS ACCOUNTS

Account status	Name of account	Sales ranking in class of trade	Number of regions where stores located	Number of divisions
Remain as national accounts in Phase 1	Southland	1	7	19
	Circle K	2	6	5
	National Convenience Stores	4	4	4
	Cumberland Farms	5	3	0
	Dairy Mart/Lawsons	7	4	2
	Munford	8	4	6
	Zippy/Fast Fare	9	1	2
	Pantry	17	2	3
	Emro	26	3	4
	Stop & Go	28	3	7
	Mobil Oil	N/A	N/A	0
Transfer to the field in Phase 1	Convenient Food Mart	3	7	1
	Atlantic Richfield	10	5	4
	Standard Oil	25	4	3
	Total Petroleum	25	4	0
	Casey's General Stores	24	3	0
	Diamond Shamrock	N/A	4	0

Source: Sales Task Force; Chain Store Directory

1 - 4

2024667044

The seven wholesale grocer accounts recommended for transfer in Phase 1:  
 (1) typically serve three or fewer regions, and (2) are the smaller wholesale grocer accounts.

**NATIONAL ACCOUNT STATUS - PHASE 1  
 WHOLESALE GROCER ACCOUNTS**

Account status	Class of trade	Name of account	Sales ranking by class of trade	Number of regions where stores served	Number of divisions/brands
Remain as national accounts in Phase 1	Wholesale grocers	McLane	1*	6	8
		Super Valu	1	6	9
		Fleming	2	6	25
		Malone & Hyde	3	5	9
		Wetterau	4	4	15
		Scrivner & Flickinger	5	5	7
		Nash Finch	7	4	9
Transfer to the field in Phase 1	Wholesale grocers	Super Food	6	3	4
		Spartan Stores	8	2	2
		Roundy's	9	1	0
		AM Lewis	10	3	0
		Grocery Supply	11	1	2
		Certified Grocers of FL	12	1	0
		Thomas & Howard	13	3	1

\* If considered a wholesale grocer, ranks number one in PM-USA sales, but not industry sales

Source: Sales Task Force; Chain Store Directory

2024667045

1 - 5

All drug chains, tobacco distributors, and vendors; Price Club; and two of the mass merchandisers would also transfer to the field in Phase 1. These classes of trade are either: (1) less strategically significant to PM-USA, or (2) less likely to be influenced to participate in merchandising programs.

**NATIONAL ACCOUNT STATUS - PHASE 1  
ALL OTHER ACCOUNTS**

Account status	Class of trade	Name of account	Industry sales ranking	Number of regions where stores located	Number of divisions/branches
Remain as national accounts	Mass merchandisers	K mart	1	7	5
		Walmart	2	5	8
		Zayres	3	4	1
Transfer to the field in Phase 1	Mass merchandisers	Target	4	5	N/A
		TG & Y	5	5	N/A
	Drug	Eckerd's	1	4	5
		Revco	2	7	N/A
		Rite Aid	3	4	N/A
		Peoples	4	4	6
		Dart	5	1	0
	Tobacco Distributors	Core-Mark	1	N/A	N/A
		Senneco	2	N/A	N/A
		TDC	3	N/A	N/A
	Vendors	Canteen	1	7	0
		Service America	2	7	0
	Other	Price Club	1	2	2

Source: Sales Task Force; Chain Store Directory

2024667046

1 - 6

**PHASE 2 - TRANSFER UP TO 9 ADDITIONAL ACCOUNTS WITHIN 18 MONTHS**

In the second phase, to take place within the next 18 months, up to nine additional accounts would most likely be transferred to the field once programs now in progress with headquarters were finalized. These accounts are likely to include:

<b>NATIONAL ACCOUNTS LIKELY TO BE TRANSFERRED IN PHASE 2</b>		<b><u>PRELIMINARY</u></b>
Class of trade	Account	
Supermarket	Von's Grand Union	
Convenience/Gas	Cumberland Farms Zippy/Fast Fare Stop & Go Pantry Emro	
Mass Merchandisers	Walmart Zayres	

Source: Sales Task Force

**2024667047**

1 - 7

**PHASE 3 - TRANSFER ALL REMAINING ACCOUNTS  
WITH A NUMBER OF EXCEPTIONS**

A number of accounts, usually the largest in each class of trade, are likely to continue to require some headquarter to headquarter selling. As a result, these accounts would remain national. An additional six accounts would be transferred to the field

**LIKELY ACCOUNT STATUS BY PHASE 3**

Class of trade	Remain National		Transfer to Field		Sales ranking in class of trade
	Name of account	Sales ranking in class of trade	Name of account	Sales ranking in class of trade	
Supermarket	Safeway	1	-		
	Kroger	2			
	American Stores	3			
	Lucky's (?)	4			
	Winn Dixie	5			
	A&P	6			
	Albertsons	7			
	Supermarkets General	8			
Convenience/Gas	Southland	1	Munford	8	
	Circle K	2	Mobil Oil	N/A	
	National Convenience Stores	4			
	Dairy Mart/Lawsons	7			
Wholesale Grocer	McLane	1	Wetterau	4	
	Super Valu	2	Scrivner & Flickinger	5	
	Fleming	3	Malone & Hyde	6	
			Nash Finch	8	
Mass Merchandisers	K mart	8404667048			

Source: Sales Task Force, Progressive Grocer, and Chain Store Directory

2024667049

2 - CREATE KEY ACCOUNT MANAGER AND  
PURSUE OPTION B FOR SALESFORCE RESTRUCTURING

The Sales Task Force has evaluated various field salesforce structures, all of which include creating Key Account Managers, and has identified two options as the most attractive. Subject to further evaluation, the Task Force recommends pursuing Option B, which eliminates the regions and significantly strengthens the sections.

- ¶ Regardless of the particular option selected, a number of "guiding principles" are applicable and should be followed in the reorganization effort.
- ¶ The first option (Option A) strengthens the sections by adding Key Account Managers, but preserves the existing region and section field structure.
- ¶ The second option (Option B) significantly strengthens the sections by adding Key Account Managers and modifying the senior field structure and eliminates the regions.

**2024667050**

## "GUIDING PRINCIPLES" FOR REORGANIZING FIELD SALES

A number of "guiding principles" have emerged from the Task Force's analyses of changes required in the seven test sections. While the principles should not be considered hard and fast rules given the need to tailor the restructuring to the particular characteristics of each section, they should help to ensure that each sales position\* is assigned the appropriate type and number of accounts.

1. Each senior salesperson - from Supervisor to the Vice President - Sales - should be assigned responsibility for developing relationships with senior decision-makers at a few strategic accounts.
2. Where span of control/geography permits, Key Account Managers should report directly to the individual who heads the section.

\* Note that positions referred to may be different for the two options (e.g., in Option A, the Section Sales Manager is the "Section Head"; in Option B, the Section Director is the "Section Head".)

**2024667051**

3. Each Key Account Manager's account profile should include 5 to 10 accounts, dominated by supermarket and convenience/gas chains.
4. Although several options exist for reporting relationships to Supervisors (i.e., using SROs/SHAs or SSSs), wherever possible, the SHA/SRO structure should be used.
5. Each Area Manager's account profile should include 25 to 30 accounts, balanced among chains, distributors, and vendors.
6. With some exceptions because of geography, each Division Manager and Sales Representative should have, on average, 3 to 5 accounts, with Division Managers concentrating on small chains and Sales Representatives on vendors.

2024667052

2 - 3

**Assign Senior Salespeople  
Relationship-Building Responsibility**

Senior sales personnel should not have primary day-to-day account responsibility. However, for a few strategic accounts, they should be given responsibility for developing relationships with senior decision-makers. For example, at a 45-store chain account, the head of the section might be responsible for developing relationships with the two most senior decision-makers. . .

**FIELD ACCOUNT RESPONSIBILITY  
HUGHES MARKETS - (45 STORES)**

**ILLUSTRATIVE**

<u>Decision-Makers</u>	<u>Key Account Manager responsibility (primarily day to day)</u>	<u>Section Head responsibility (selective relationship building)</u>
President		<ul style="list-style-type: none"><li>- Major presentations/ discussions</li><li>- PM-USA and other social functions</li></ul>
Vice President - Sales & Merchandising	<ul style="list-style-type: none"><li>- Fixtures</li><li>- Plan As</li></ul>	<ul style="list-style-type: none"><li>- Major presentations/ discussions</li><li>- PM-USA and other social functions</li></ul>
Merchandising Manager	<ul style="list-style-type: none"><li>- Merchandising programs</li></ul>	
Buyer	<ul style="list-style-type: none"><li>- New product distribution</li></ul>	

**2024667053**

2 - 4

. . . however, at a larger chain, more senior field and headquarter personnel should be involved in relationship building.

ACCOUNT RESPONSIBILITY  
ALPHA BETA (197 STORES)

ILLUSTRATIVE

Decision makers	Primary PM-USA contact	Primary responsibility
Vice President - American Stores	National Accounts Manager	
President - Alpha Beta	Field Director	
Senior Vice President - Marketing	Field Director	
Vice President - General Manager	Field Director	
Merchandiser	Key Account Manager	
Buyer	Key Account Manager	

Relationship building to gain audience/receptivity for increased space/fixturing/programs

Day-to-day responsibility for:

- . Distribution
- . Merchandising programs
- . Space/fixtures

2024667054

2 - 5

**Have Key Account Managers  
Report Directly to  
Section Head, Wherever Possible**

Although there are numerous tradeoffs involved in determining the best reporting relationships at the section level, where possible\*, Key Account Managers should report directly to the individual who heads the section.

**ASSESSMENT OF KEY ACCOUNT MANAGER  
REPORTING DIRECTLY TO SECTION HEAD**

**Advantages**

- Elevates status of key account selling by:
  - Allowing for higher grade level/more qualified Key Account Managers
  - Giving section head more direct involvement/accountability for results at key accounts

**Disadvantages**

- Gives section head 5 to 7 direct reports which may result in:
  - Insufficient time to develop Key Account Managers
  - Insufficient time to devote to retail/smaller accounts
- Requires section head to travel more frequently/greater distances
- Results in one less supervisor to establish key account relationships

\* I.e., in all sections except where more than seven direct reports are involved or where precluded by geographic spread.

**2024667055**

2 - 6

**Include 5 to 10 Accounts  
in Key Account Manager Profile**

To enable salespeople to focus on the most important accounts and, as a result, improve PM-USA's overall performance (e.g., in-stock position, share of space, distribution of brands) at these accounts, each Key Account Manager should have responsibility for no more than 10 accounts - predominantly supermarket and convenience/gas chains given the strategic importance to PM-USA of these two classes of trade.

**ACCOUNT PROFILE/NUMBER OF STORES  
KEY ACCOUNT MANAGERS**

**EXAMPLES**

	Section 33 Pensacola	Section 52 Oklahoma City	Section 72 Los Angeles
Supermarket	Winn Dixie Division - 128 Delchamps - 85 Dixieland - 62	Safeway Division - 118 Skaggs Alpha Beta - 90 Loves Stores - 107	Safeway Division - 244 Ralphs - 128 Boys Markets - 42
Convenience/gas	Sunshine Junior - 334 Tom Thumb - 103 Circle K - 206	7-Eleven Division - 100 Quik Trip - 244 Mapco - 291	
Drug	-	-	Thrifty - 277
Wholesale grocer	Fleming Eli Witt (Mobile)	Fleming - Corporate - Division  Scrivner - Corporate - Division	Certified Grocers of CA
Total	8 accounts	10 accounts	5 accounts

**2024667056**

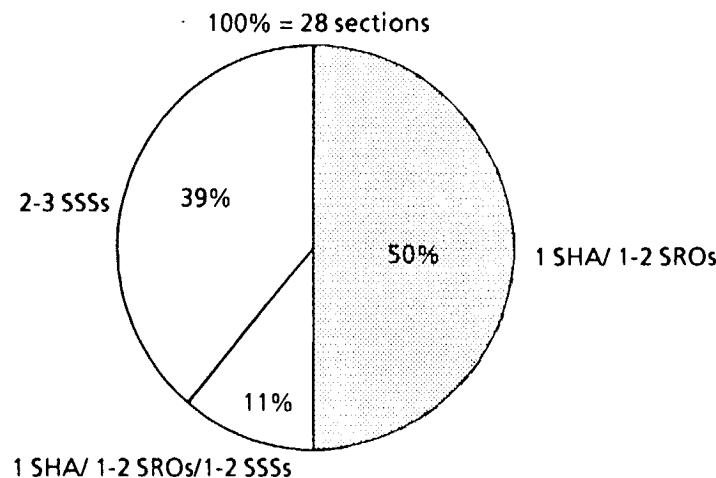
2 - 7

**Use SHA/SRO Structure  
Wherever Possible**

Currently, the supervisory structure varies among sections, with half of the sections utilizing SHAs and SROs exclusively.

**CURRENT SUPERVISORY STRUCTURE IN  
PM-USA SECTIONS**

**SUPERVISORY STRUCTURE UTILIZED  
PM-USA SECTIONS**



Source: Sales Operations Department

**2024667057**

Again, while there are numerous tradeoffs involved in determining the best supervisory structure, where geography and span of control permit, the SHA/SRO structure is preferred to the combined supervisor position, to facilitate optimal training of and guidance to both Area Managers and Division Managers.

#### ADVANTAGES OF SHA/SRO STRUCTURE VS. SSS

##### Advantages of SHA/SRO

- Enables more focused training/development for both account and retail managers
- Increases accountability for results at key chains
- Elevates status of account selling

##### Advantages of SSS

- "Mini-sections" often improve coordination required to implement chain decisions at retail
- Enables career path/succession planning for future Section Managers
- Often reduces geographic reach/travel requirement of supervisors

2024667058

2 - 9

Assign 25 to 30 Accounts  
to Area Managers

By assigning some chains or distributors to Division Managers and small vendors (less than 100 machines) to Sales Representatives, the Area Manager's account profile can be reduced from the current average of 40+ accounts to 25 to 30 accounts. This allows Area Managers to focus more attention on the important "second-tier" accounts in all classes of trade.

AREA MANAGER ACCOUNT PROFILE  
CURRENT AND PROPOSED  
SECTION 41 - DETROIT

EXAMPLE

	<u>Number of accounts</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Proposed profile range by type of accounts</u>
Supermarket	5	3	8- to 14-store chains
Convenience/Gas	11	10	5- to 27-store chains
Wholesale Grocers	3	3	8,000 to 21,000 CPW
Tobacco Distributors	5	5	12,000 to 78,000 CPW
Vendors	22	5	110 to 156 machines
Other	<u>2</u>	<u>2</u>	27 stores
Total	48	28	

2024667059

2 - 10

**Assign 3 to 5 Accounts to Each  
Division Manager/Sales Representative**

By assigning a few additional small chains and/or distributors to Division Managers and vendors to Sales Representatives, PM-USA will ensure that all key salespeople are involved in chain selling and that accounts are allocated to the appropriate resource. With some exceptions because of geography, each Division Manager and Sales Representative should have, on average, 3 to 5 accounts.

**ACCOUNT PROFILE**

**DIVISION MANAGER AND SALES REPRESENTATIVE  
SECTION 21 - PHILADELPHIA**

**EXAMPLE**

**DIVISION MANAGERS**

Current - Only 1 of the 12 Division Managers has any non-delegated account responsibility

Proposed - Each Division Manager to have responsibility for two to four chains or distributors (typically 5- to 10-store convenience/gas chains)

**SALES REPRESENTATIVES**

Current - On average, each representative has two accounts - typically small vendors or small subjobbers

Proposed - Each Sales Representative to have, on average, four accounts (mostly vendors with 40 to 80 machines)

**2024667060**

2 - 11

OPTION A - STRENGTHEN SECTIONS  
WITHIN EXISTING REGION  
AND SECTION FIELD STRUCTURE

Option A entails working within the existing region and section field structure to strengthen the sections. In this option:

- ¶ Two to three Key Account Managers, most likely a grade level 11, are assigned to each section to assume selling responsibility for important accounts
- ¶ A Section Planner/Analyst is added to relieve the Section Sales Manager of more routine tasks (e.g., supervising clerical staff, responding to ad-hoc information requests)
- ¶ Key Account Managers and Section Planners/Analysts report directly to the Section Manager, where possible.

Nationwide, this option adds approximately 88 additional field salespeople (mainly Key Account Managers) and costs an additional \$6.2 million in compensation and benefits.

2024667061

2 - 12

As exemplified by the seven test sections, two or three Key Account Managers are required in each section, and often, one less Area Manager is needed, with salesforce requirements dependent on the specific section characteristics (e.g., number of large accounts, geographic reach, level of decision-maker at the accounts).

OPTION A - CHANGES TO FIELD SELLING PERSONNEL IN  
7 TEST SECTIONS  
Number of Personnel

Section Number	Section City	Key Account Managers	Area Managers	Net change*
13	Syracuse	3	-1	2
21	Philadelphia	3	-1	2
33	Jacksonville	2	0	2
41	Detroit	2	-1	1
52	Dallas	3	-1	2
62	Denver	2	0	2
72	Los Angeles	3	-1	2

\* Does not include additional supervisor in Los Angeles or Section Planner/Analyst.

2024667062

Adding a Section Planner/Analyst, preferably with prior Division Manager experience, will allow Section Sales Managers to devote more time to key account selling and relationship building with major chain decision-makers. . .

#### RESPONSIBILITIES OF SECTION PLANNER/ANALYST

##### Daily

- Supervises Administrative/Clerical staff for:
  - . POS ordering
  - . Local pay
  - . Quarterly invoicing
- Coordinates and responds to ad-hoc information requests/surveys from headquarters/regions
- Trains section personnel to use new computer systems

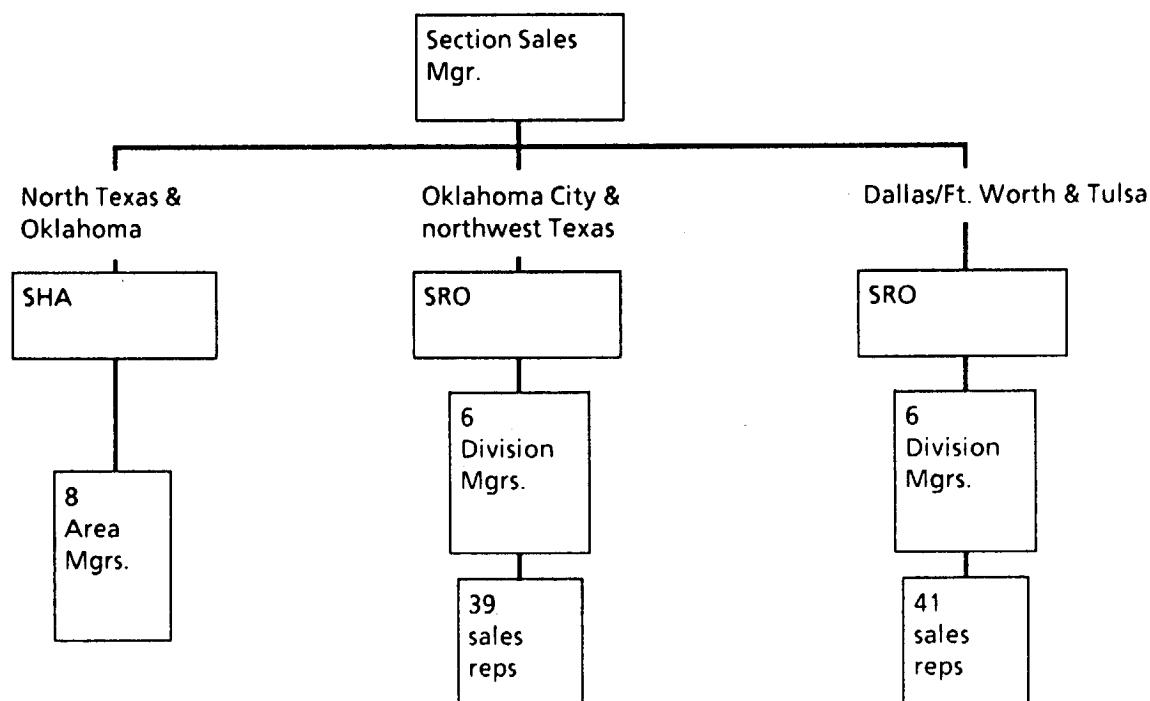
##### Monthly/quarterly

- Summarizes Supervisor's Operations Reports and writes draft of Section Operations Report for Section Sales Manager's review
- Prepares preliminary plan for adopting PPP to section needs

2024667063

. . . as well as to assume more supervisory responsibility. Currently, in the majority of sections, 2 SROs and 1 SHA report to the Section Sales Manager.

**CURRENT "TYPICAL"  
FIELD SALES FORCE STRUCTURE**



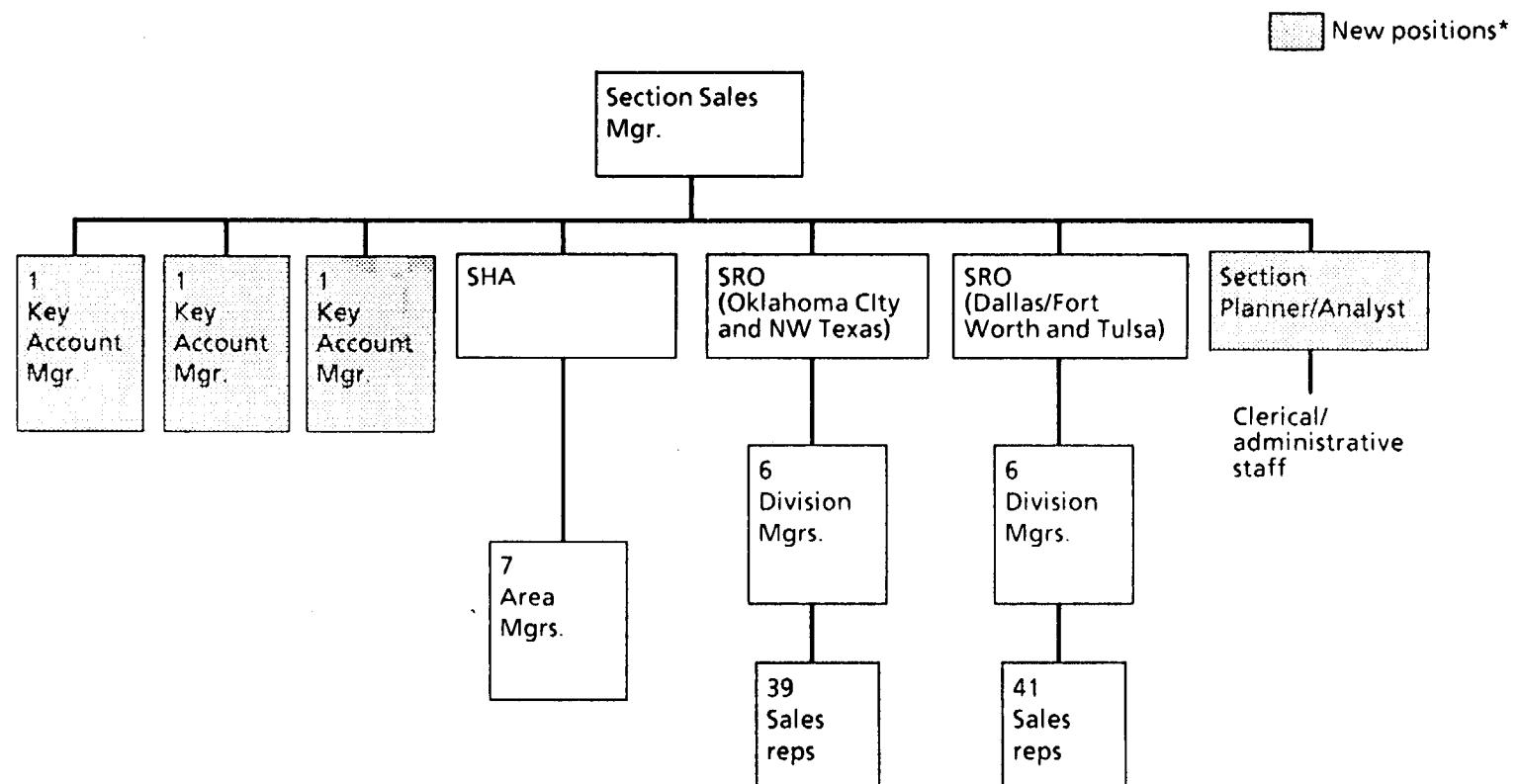
2024667064

2 - 15

In Option A, the Section Sales Manager's span of control is expanded to include the Key Account Managers and the Section Planner/Analyst; however, this should be manageable because most direct planning and administrative responsibilities are removed.

**OPTION A "TYPICAL"  
FIELD SALES FORCE STRUCTURE**

**SECTION 52 – DALLAS**



\* In sections with fewer large chains, only two Key Account Managers would be added. See Appendix A for other test sections' organization charts

**2024667065**

In a few sections where required by span of control or geography (e.g., Section 72 - Los Angeles), the Key Account Managers would report directly to a Supervisor of Key Accounts (SKA).

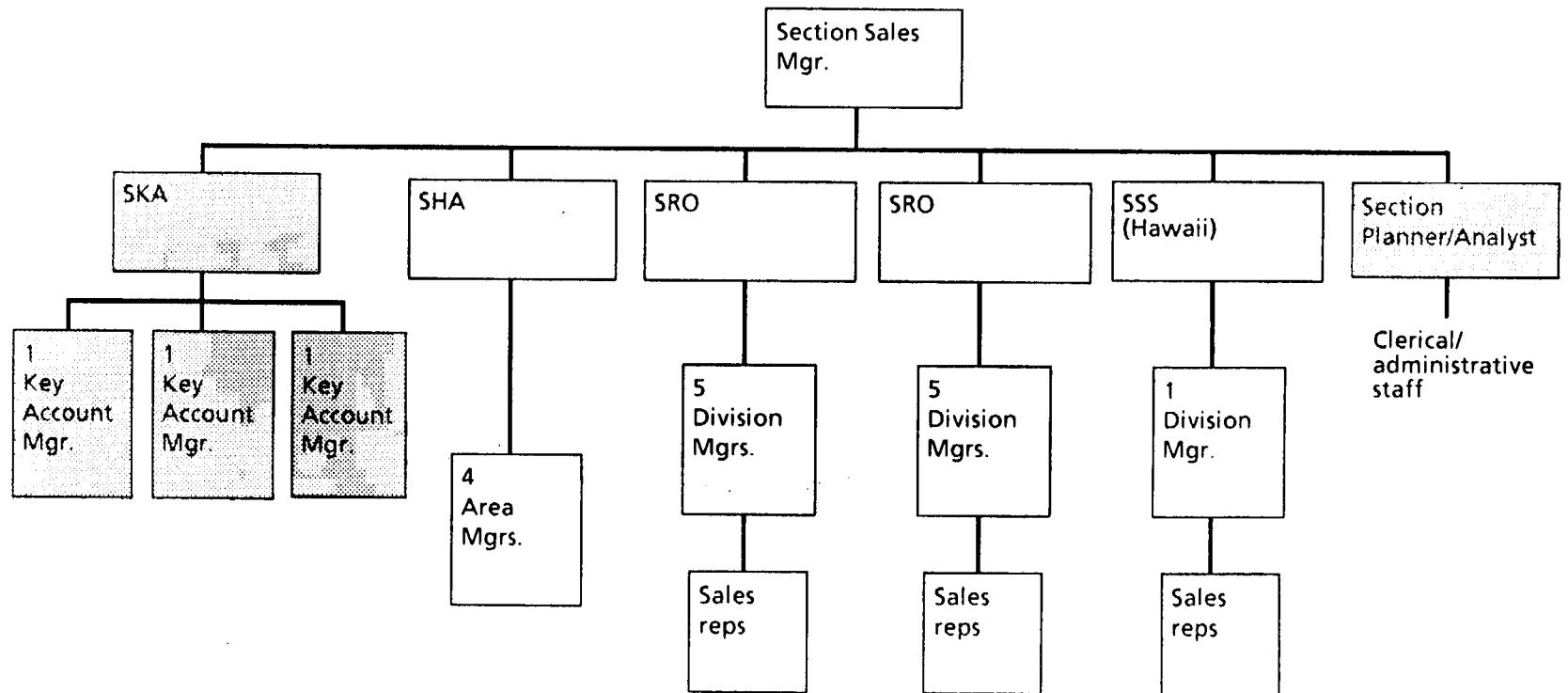
## OPTION A ALTERNATIVE FIELD SALES FORCE STRUCTURE

---

**SECTION 72 - LOS ANGELES**

---

### New positions added



2024667066

Using the seven test sections as models for the remaining 21 sections, it appears that in Option A approximately 68 Key Account Managers will be required (18 in test sections and 50 in remaining 21 sections) and 14 Area Manager positions will be eliminated (5 in test sections and 9 in remaining 21 sections).

KEY ACCOUNT AND AREA MANAGER  
REQUIREMENTS IN REMAINING 21 SECTIONS

PRELIMINARY

Section	Number of current Area Managers	Division Managers	Number of Geography	Population centers	Resembles test section	Net change in number of Key Account Managers	Area Managers
11	4	9	Boston/ME/NH	1	33 - Jacksonville	2	0
12	6	8	VT/W. MA/CT/RI	4	33 - Jacksonville	2	0
14	4	11	Long Island/Westchester?	1	?	1	0
15	6	8	NJ	Numerous	72 - Los Angeles	2	-1
22	3	8	MD/DE	2	72 - Los Angeles	2	0
23	7	12	OH	4	13 - Syracuse	3	-1
24	5	8	VA/WV	2	41 - Detroit	2	0
31	6	9	NC	3	13 - Syracuse	2	0
32	7	10	SC/No. GA	2	13 - Syracuse	3	-1
34	7	10	So. FL	3	21 - Philadelphia	3	-1
35	6	7	Ea. TN/No. AL	3	33 - Jacksonville	2	0
42	8	13	IN/KY	4	21 - Philadelphia	3	-1
43	8	10	No. IL	3	33 - Jacksonville	2	0
44	11	11	WI/MN/SD/ND	2	62 - Denver	2	0
51	7	10	MS/LS	1	33 - Jacksonville	2	0
53	7	12	So. TX	2	52 - Dallas	3	-1
54	8	10	So. IL/Ea. MD/AR	2	21 - Philadelphia	3	-1
61	8	11	NE/KS/IA/We. MO	4	52 - Dallas	3	-1
63	6	10	WA/OR/MT	3	62 - Denver	2	0
71	6	11	No. & Central CA/NV	2	52 - Dallas	3	-1
73	6	10	NM/AZ/San Diego	4	?	3	0
						50	-9

2024667067

2 - 18

This option, with grade level 11 Key Account Managers and Section Planners/Analysts, is estimated to cost an incremental \$6.2 million in compensation and benefits.

COMPENSATION AND BENEFITS IMPLICATIONS OF OPTION A  
DOLLARS IN THOUSANDS

ESTIMATE

<u>Current</u>		<u>Option A*</u>	
Grade		Grade	
16	Region Directors 7 @ \$95	\$ 665	16 Region Directors 7 @ \$95
14	Assistant Directors 7 @ \$65	\$ 455	14 Assistant Directors 7 @ \$65
13	Section Sales Managers 28 @ \$57	\$ 1,596	13 Section Sales Managers 28 @ \$57
11	Region Personnel Admin 7 @ \$45	\$ 315	11 Region Personnel Admin 7 @ \$45
11	Region Trainers 7 @ \$45	\$ 315	11 Region Training 7 @ \$45
11	Supervisors 79 @ \$45	\$ 3,555	11 Supervisors 85 @ \$45
	-	-	11 Key Account Managers 68 @ \$45
	-	-	11 Section Planners 28 @ \$45
9	Area Managers 185 @ \$34	<u>\$ 6,290</u>	9 Area Managers 171 @ \$34
	Subtotal	\$13,191	\$17,305
	Benefits @ 50%	<u>6,596</u>	<u>8,653</u>
	Total	\$19,787	\$25,958
	Incremental cost		\$ 6,171

\* Current structure with Key Account Managers reporting directly to Section Sales Manager, except where span of control/geography necessitates adding an additional Supervisor of Key Accounts. Section Planner/Analyst added in all cases

Source: McKinsey Analysis; PM-USA Personnel Department

2024667068

Relative to the current salesforce structure, the advantages of Option A outweigh the disadvantages.

#### OPTION A SALESFORCE STRUCTURE ADVANTAGES AND DISADVANTAGES

##### Advantages

- Elevates status of Key Account Manager through direct reporting relationship to Section Sales Manager
  - . Will attract more highly qualified Key Account Managers
  - . Will make Section Sales Manager more accountable for results at key accounts
- Allows Section Sales Manager to devote more time to business-building activities by creating Section Planner/Analyst

##### Disadvantages

- Gives Section Sales Manager five to seven direct reports versus the current two to four
- Will cost an incremental \$6.2 million
- Adds 28 non-selling positions (Planners/Analysts) and fills them with experienced field salespeople. This may encourage information requests by headquarters that should be discouraged
- Some Section Sales Managers may feel they will "lose control" of the section by delegating day-to-day tasks to Planner/Analyst

**OPTION B - ELIMINATE REGIONS AND  
SIGNIFICANTLY STRENGTHEN SECTIONS  
BY MODIFYING SENIOR FIELD STRUCTURE**

In Option B, which the Sales Task Force has evaluated on a very preliminary basis, the existing region and senior field structure is changed. More specifically, this option entails:

- ¶ Eliminating the sales regions and replacing them with five Directors of Sales who report to the headquarters office and have no field staff.
- ¶ Strengthening the section by placing a more senior person - a Section Director, at grade level 14 - at its head and by possibly adding some higher grade level 12 Key Account Managers.
- ¶ Utilizing Personnel Administrators and Trainers as shared field resources who report to the appropriate headquarters department.
- ¶ Having the following report directly to the Section Director:
  - Key Account Managers
  - Section Sales Manager (to whom existing supervisors report)
  - Section Planner/Analyst.

Nationwide, this option adds approximately 103 people (mainly Key Account Managers) and costs an incremental \$7.9 million in compensation and benefits when compared to the current structure.

**2024667070**

The five Directors of Sales will be based at New York headquarters, where their staff assistance will be located. However, they will most likely spend 3 out of 4 weeks in the field with Section Directors/key accounts and will probably have their homes in the field.

#### DESCRIPTION OF AND RATIONALE FOR FIVE DIRECTORS OF SALES

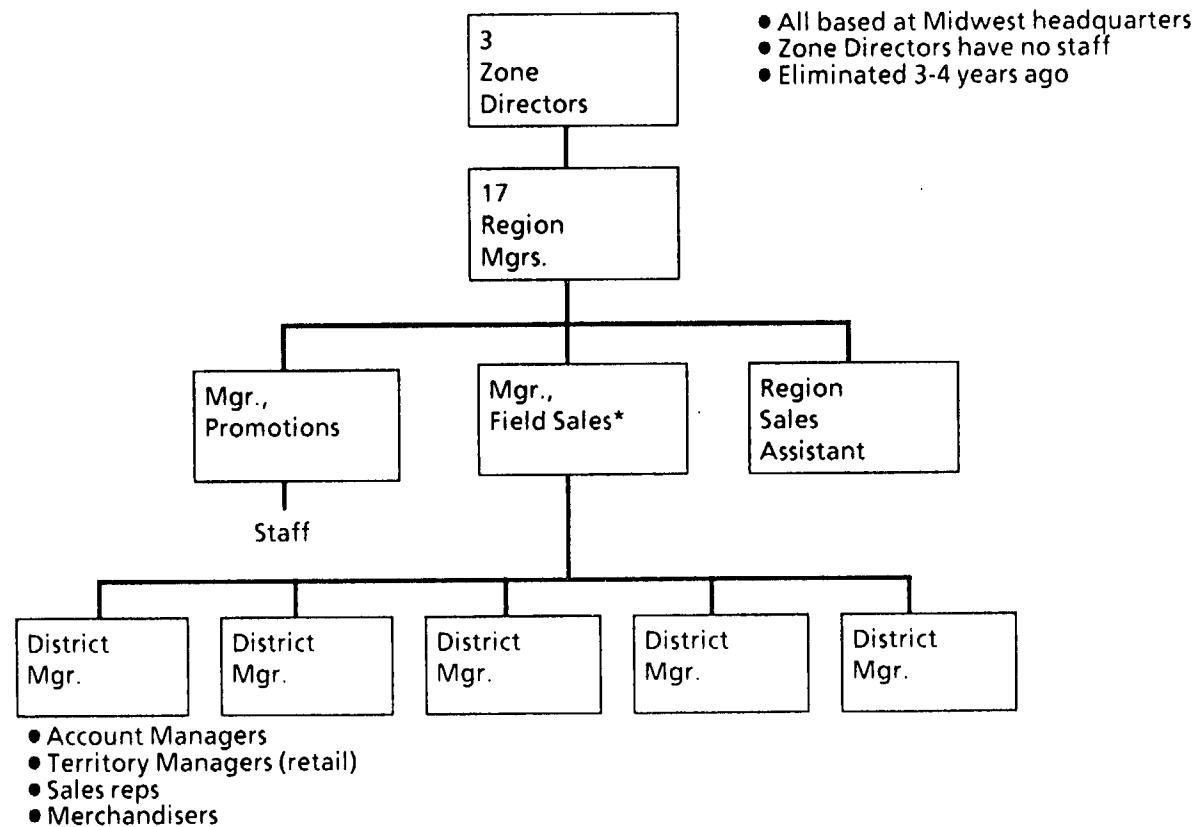
Five "Zones" Created	<ul style="list-style-type: none"><li>- East</li><li>- Southeast</li><li>- North Central</li><li>- South Central</li><li>- West</li></ul>
Grade level	<ul style="list-style-type: none"><li>- 16</li></ul>
Direct reports	<ul style="list-style-type: none"><li>- Five to six Section Directors</li></ul>
Rationale	<ul style="list-style-type: none"><li>- Directors of Sales with offices based in New York will:<ul style="list-style-type: none"><li>. Give the sections a direct voice at headquarters</li><li>. Provide a vehicle for increasing flexibility in the field through better communications</li><li>. Eliminate the need for identical administrative structures in region offices</li></ul></li></ul>

2024667071

2 - 22

Other consumer goods companies, including the Midwest based company exemplified here, have senior reporting structures similar to Option B; that is, three zone Directors all based in the headquarters city, with five to six direct field reports.

### SALES FORCE STRUCTURE MIDWEST-BASED CONSUMER GOODS COMPANY



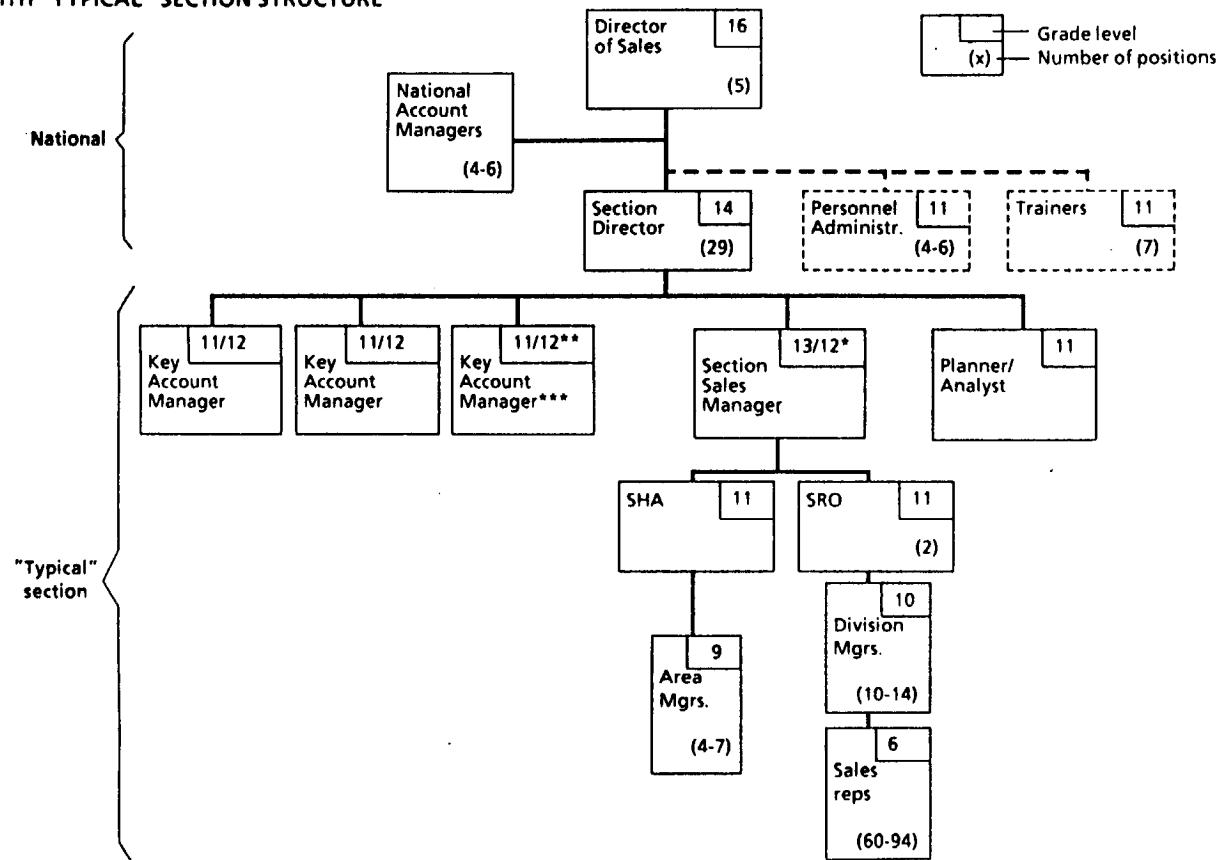
202466702

\* A few markets with numerous large chains have 2 managers, Field Sales

The changes envisioned in Option B strengthen the sections by: (1) creating a stronger link between headquarters and the sections; (2) enabling the Section Director to focus primarily on business-building opportunities and (3) improving utilization of administrative resources (personnel and training).

**ALTERNATE SENIOR FIELD STRUCTURE - OPTION B  
WITH "TYPICAL" SECTION STRUCTURE**

PRELIMINARY



\* Future Section Sales Managers could be promoted to a Grade 12 position

\*\* Key Account Managers could be Grade 11 or 12

\*\*\* In many sections a third Key Account Manager will never be required

2024667073

Relative to Option A, the new Key Account Manager and Section Planner/Analyst positions would be somewhat more senior and would have slightly different responsibilities in Option B.

**RESPONSIBILITIES - KEY ACCOUNT MANAGER  
AND SECTION PLANNER/ANALYST  
OPTION B VERSUS OPTION A**

**Key Account Manager  
(Grade Level 11 and/or 12)**

- Responsible for, on average, slightly more important key accounts and for establishing relationships with more senior decision-makers at these accounts

**Section Planner/Analyst**

- Responsible for providing more analytical assistance/planning to both Section Director and Key Account Managers because Section Sales Manager will be sharing administrative tasks

2024667074

2 - 25

This option, with grade 14 Section Directors, grade 12 Key Account Managers, Section Sales Managers and grade 11 Section Planners/Analysts is projected to cost about \$7.9 million more than the current structure in compensation and benefits.

COMPENSATION AND BENEFIT IMPLICATIONS OF OPTION B  
DOLLARS IN THOUSANDS

ESTIMATE

<u>Current</u>		<u>Option B</u>			
Grade		Grade			
16	Region Directors 7 @ \$95	\$ 665	16	Directors of Sales 5 @ \$95	\$ 475
14	Assistant Directors 7 @ \$65	\$ 455	-		
-			14	Section Directors 29* @ \$65	\$ 1,885
13	Section Sales Managers 28 @ \$57	\$ 1,596	12/13	Section Sales Managers 29 @ \$52	\$ 1,508
11	Region Personnel Adm. 7 @ \$45	\$ 315	11	Personnel Adm. 5 @ \$45	\$ 225
11	Region Trainers 7 @ \$45	\$ 315	11	Trainers 7 @ \$45	\$ 315
11	Supervisor 79 @ \$45	\$ 3,555	11	Supervisors 79 @ \$45	\$ 3,555
-		-	12	Key Account Managers 65 @ \$50	\$ 3,250
-		-	11	Planner/Analyst 29 @ \$45	\$ 1,305
9	Area Managers 185 @ \$34	\$ 6,290	9	Area Manager 175 @ \$34	\$ 5,950
	Subtotal	\$13,191			\$18,468
	Benefits @ 50%	<u>6,596</u>			<u>9,234</u>
	Total	\$19,787			\$27,702
	Incremental cost				\$ 7,915

\* An additional section is added under Option B.

Source: McKinsey Analysis; PM-USA Personnel Department

2024667025

Although there are issues that must be further evaluated, Option B's major advantages - significantly strengthening the sections and linking them more closely to headquarters, as well as eliminating the regions - make this an attractive alternative relative to the current salesforce structure.

## OPTION B SALESFORCE STRUCTURE ADVANTAGES AND DISADVANTAGES

### Advantages

- Significantly strengthens section
  - . More senior section leader (grade 14)
  - . Section head no longer personally responsible for administration/analysis
- Significantly elevates status of key account selling (Key Account Manager likely to be grade 11 and/or 12)
- Provides sections with closer link to headquarters
  - . Headquarter-based Directors of Sales provide strong communication/vehicle for enhancing flexibility in the field
  - . Sections will have direct voice at headquarters
- Eliminates region's administrative staff (personnel and training) and allows for more flexible/centralized use of these resources

### Disadvantages

- "Stretches" the Director of Sales
  - . All Directors, except one with Northeast territory, travel extensively, particularly West Coast Director
  - . Directors have no field staff to provide assistance
  - . Span of control of five to six
- Will cost an incremental \$7.9 million; 22 additional senior positions (probably grade level 14) created, although others are reduced
- Could create problems between supervisors and Key Account Managers because of different reporting relationships
- Removes training from direct field control, in turn, requiring close headquarter attention to assess individual section needs

\* \* \*

The Sales Task Force believes that Option B is a better approach than Option A in achieving Phase 1 recommendations. If the outstanding issues can be resolved, the Task Force recommends that Option B be implemented.

Phase 1 Recommendations

1. Elevate the status of selling throughout the organization
2. Over time move national account responsibility to the field
3. Upgrade selling skills and infrastructure

Option B versus Option A

- Creates a more senior section head - Section Director - who is able to focus primarily on business building opportunities
- Establishes a closer link between the field and headquarters through five Directors of Sales based at headquarters
- Creates a more senior, more highly skilled, Key Account Manager (possibly grade level 12)
- Allows each National Accounts Manager to report to one Director of Sales and results in closer communication given Director's headquarter base
- Provides more headquarters direction to training and personnel resources and allows these resources to be shared among sections

2024667077

2 - 28

Although Option B is more costly than Option A, the cost differential is slight.

COMPENSATION AND BENEFITS IMPLICATIONS -  
OPTION B VERSUS OPTION A  
DOLLARS IN THOUSANDS

ESTIMATE

Current	Option A*			Option B		
Grade	Grade			Grade		
16	Region Directors 7 @ \$95	\$ 665	16	Region Directors 7 @ \$95	\$ 665	16
14	Assistant Directors 7 @ \$65	\$ 455	14	Assistant Directors 7 @ \$65	\$ 455	-
-	-	-	-	-	-	-
13	Section Sales Managers 28 @ \$57	\$ 1,596	13	Section Sales Managers 28 @ \$57	\$ 1,596	14
11	Region Personnel Admin 7 @ \$45	\$ 315	11	Region Personnel Admin 7 @ \$45	\$ 315	12/13
11	Region Trainers 7 @ \$45	\$ 315	11	Region Training 7 @ \$45	\$ 315	11
11	Supervisors 79 @ \$45	\$ 3,555	11	Supervisors 85 @ \$45	\$ 3,825	11
-	-	-	11	Key Account Managers 68 @ \$45	\$ 3,060	11/12
-	-	-	11	Planner/Analyst 28 @ \$45	\$ 1,260	11
9	Area Managers 185 @ \$34	\$ 6,290	9	Area Managers 171 @ \$34	\$ 5,814	9
	Subtotal	\$13,191			\$17,305	
	Benefits @ 50%	<u>6,596</u>			<u>8,653</u>	
	Total	\$19,787			\$25,958	
	Incremental cost versus current structure				\$ 6,171	
	Incremental cost - Option B versus Option A					\$ 7,915
						\$ 1,744

Source: McKinsey Analysis; PM-USA Personnel Department

2024667078

Given the necessarily preliminary nature of the Sales Task Force's evaluation of Option B, a number of issues require further discussion and investigation in Phase 3.

OPTION B SALESFORCE STRUCTURE  
ISSUES

PRELIMINARY

Structural Issues

1. Director of Sales

- What is the appropriate number?
- Where should these directors be based?
- Should smaller sections be structured similarly?

2. Section Directors

- How many people should report directly to the Section Director?
- Will Section Directors delegate significantly responsibility to the Planner/Analyst to permit sufficient time with key accounts?

3. Section Sales Managers

- What is the appropriate grade level? Can new managers be promoted in at a lower grade than existing Section Sales Managers?
- Should the Supervisors of Military Accounts report to the Section Sales Manager?

4. Key Account Managers

- Would a Key Account Manager's responsibilities at a specific account vary under Option B?
- Would the account profile vary?

2024667079

## OPTION B SALESFORCE STRUCTURE ISSUES (Continued)

### Structural Issues (continued)

- What is the appropriate grade level? Or should two grades exist for Key Account Manager based on the profile of accounts?

#### 5. National Accounts

- To what extent will this structure facilitate the transfer of National Accounts responsibility to the field?
- Can the national accounts be assigned so that National Accounts Manager work with/report to just one Director of Sales?

#### 6. Supervisors

- What is the appropriate grade level?

#### 7. Section Planner/Analyst

- At what point should this position be added?
- What are the responsibilities of this position? To what extent will the creation of this position encourage information requests from headquarters?
- What is the appropriate grade level?

**2024667080**

OPTION B SALESFORCE STRUCTURE  
ISSUES (Continued)

Support/Communications

1. How would support functions (i.e., training, personnel) be provided to the field? How many of these positions are needed?
2. Are the headquarters Training and Personnel Departments currently structured and staffed to assume these new responsibilities?
3. What is the link between the sections/Key Account Managers and Sales Planning? (Should 29 Section Directors call New York? Should the Directors of Sales be given this responsibility?)
4. Do the Directors of Sales need some staff support? Should this support be headquarter-based?

2024667081

2 - 32

## OPTION B SALESFORCE STRUCTURE ISSUES (Continued)

### Cost Implications

1. What are the salesforce expenses (additional compensation less eliminating region offices) that would be incurred? Is the \$7.9 million estimate for increased compensation (including the benefits) an accurate estimate?
2. Is this amount of additional cost justified?

### Overall

How would this option be implemented? In phases? With what timing?

2024667082

3804994202

### 3 - PROVIDE SUPPORT TO FIELD KEY ACCOUNT SELLING

In order for Account Managers in the field to make convincing, professional presentations and follow through effectively after the sale, they will need access to the same types of information and technical support that National Accounts currently has. Accordingly, PM-USA should:

1. Ensure that the necessary communications and support systems are in place at field locations so that Key Account Managers can become "resident national account experts."
2. Ensure that headquarters is structured and staffed to provide Key Account Managers with up-to-date data (e.g., volume trends by class of trade) and information on programs (e.g., "Triple Play" promotion with a convenience/gas chain).
3. Establish a link between the field and headquarters.

2024667084

### ENSURE COMMUNICATIONS/ TECHNICAL SUPPORT IN FIELD

In order to make Key Account Managers true "resident national account experts" for all the classes of trade for which they will be responsible, both technical and communications systems need to be in-place at the appropriate field locations. These include:

1. Systems/tools to support professional, convincing sales presentations
  - a. Plan-O-Gram model
  - b. National, regional, local and account level data (e.g., sales, profits, out-of-stocks, space)
  - c. Computer graphics
  - d. Access to standard/customized presentation boards.
2. Systems to facilitate internal communication of account activities and status. New internal communication procedures will be particularly important. This is especially important to ensure proper implementation of account programs after the account has agreed to them. Furthermore, as national accounts responsibilities are transferred to the field, new internal communication procedures will be particularly important.

2024667085

Special provisions will have to be made for Key Account Managers who are not located in a section office (e.g., a Key Account Manager based in Pensacola, Florida). There are several alternatives to requiring the Key Account Manager to travel to the Section Office; namely:

1. Set up a "mini-section" office, equipped with computer systems/telecommunications, for the Key Account Manager and Division Managers based in the area
2. Provide the Key Account Manager with computer system/modem at home.

2024667096

3 - 3

## ENSURE HEADQUARTER SUPPORT TO KEY ACCOUNT MANAGERS

Support must be provided by headquarters to the 65-75 Key Account Managers and Area Managers to keep them informed and equipped to make convincing arguments to their accounts for increasing PM-USA space and for becoming involved in PM-USA merchandising programs. More specifically:

1. The Sales Planning (or another) Department needs to be restructured and staffed with the appropriate people to provide:
  - a. Class of trade information
  - b. New programs (e.g., fixturing, regional marketing ideas)
  - c. Test coordination.
2. The Sales Planning Department also needs to become a clearing house of account information so that Key Account Managers and Area Managers are kept up to date on both successful and problematic programs underway with accounts nationwide.
3. Key Account Managers and section heads (i.e., Section Directors or Section Sales Managers) will need a planning tool to help them establish account-specific strategies. This tool, in the form of a key account data base, provides up-to-date information on account status and programs that can be communicated to other PM-USA salespeople who are involved with that specific account.

2804994202

**Restructure and Add Resources to  
Sales Planning Department**

Additional resources will be required in the Sales Planning (or another) Department to provide strong support/information to the 65 to 75 Key Account Managers.

**ILLUSTRATIVE**

<b>Needs of 65 to 75 Key Account Managers</b>	<b>Current Sales Planning Staff that provides this support</b>	<b>Most significant additional requirements</b>
<ol style="list-style-type: none"><li>1. Analytical tools that are account-market-specific to convince the decision-maker of<ul style="list-style-type: none"><li>- Out-of-stock situation</li><li>- Inadequate space for PM-USA/category</li><li>- Benefits of carrying marginal brands/new packing</li></ul></li><li>2. Trends in classes of trade</li><li>3. Special programs available (e.g., coffee promotion)</li><li>4. Innovative approaches to merchandising/ promoting cigarettes (e.g., ones that other chains found successful)</li><li>5. Fixture customization alternatives</li></ol>	<p>{</p> <ul style="list-style-type: none"><li>- One Director</li><li>- 2 Assistant Directors (one vacant position)</li><li>- 4 Managers (class of trade specific)</li><li>- 2 Coordinators</li></ul> <p>}</p> <ul style="list-style-type: none"><li>- Not provided by Sales Planning. One person in merchandising</li></ul>	<p>Additional resources that can provide:</p> <ul style="list-style-type: none"><li>- Analytical assistance (e.g., Plan-O-Gram "expert")</li><li>- Program suggestions/assistance</li><li>- Fixture customization</li></ul>

**2024667088**

3 - 5

Use Sales Planning Department  
As Clearing House

In addition, the Sales Planning Department should act as the clearing house on account-specific programs and sales approaches.

ILLUSTRATIVE

Account Program

- Circle K billboard promotion for PM-USA brand
- Cumberland Farms test of new customized PM-USA overhead pack merchandiser in 20 stores

Role of section planning

- Account "success story" communicated to all Key Account Managers and Area Managers, along with one-page "leave behind" for relevant accounts
- Action is communicated to all Key Account and Area Managers that have convenience/gas accounts

2024667089

Use Key Account Database  
In Developing CustomerTrak

With input from the test sections, a database\* has been established for all key accounts within the seven test sections. The uses and content of this database should be integrated into the final development of the CustomerTrak project. This Key Account database:

- ¶ Includes all top-line account information which Section Managers and Region Directors used to determine:
  - If an account should be assigned to a Key Account Manager, and
  - Which PM-USA senior manager has relationship building responsibility with which decision makers.
- ¶ Has a number of current uses, for example, in planning and monitoring account-specific strategies
- ¶ Could be expanded to include even more valuable, little accessed information.

\* See Appendix B for summary of database

**2024667090**

The database includes not only a numeric sketch of each key account but also information on account decision-makers.

## KEY ACCOUNT DATABASE

### EXAMPLE

#### CHAIN ACCOUNT

SURVEY NUMBER	100
ACCOUNT	ALPHA BETA CO
ACCOUNT NUMBER	31152
CITY	LA HABRA
STATE	CA
AREA MGR	7225
CLASS OF TRADE	SM
TYPE OF CALL	
NUMBER OF DIVISIONS	1
NUMBER OF OUTLETS	196
TOTAL CPW	520
PM-USA CPW	230
DIRECT PURCHASE	YES

#### % OUTLETS SELF-SERVICE

SELF SERVICE CARTONS	99
SELF SERVICE PACKS	1

#### CURRENT RACK SUPPLIER

CURRENT SUPPLIER CARTONS	RJR
CURRENT SUPPLIER PACKS	RJR

AVG ROWS	71
PLAN A STORES	194

#### TOOLS/KNOWLEDGE/EXPERTISE REQUIRED

(SPECIFIC CONTACT) (E.G. BUYER VP-OPERATIONS)

BUYER	MERCH CONTRACTS, SHELF SPACE, NEW BRANDS, PRMO
MERCHANDISER	
VP SALES	NEW FIXTURING
PRES	BUSINESS REVIEW

(SPECIFY CONTACT)	PM USA PERSON RESP	FREQUENCY	ACCESSIBILITY
BUYER	AREA MANAGER		EASY
MERCHANDISER	AREA MANAGER		EASY
VP SALES	S.S.M.		DIFFICULT

2024667091

3 - 8

CHAIN ACCOUNT (CONT)

PAGE 2

SURVEY NUMBER 100  
ACCOUNT ALPHA BETA CO  
ACCOUNT NUMBER 31152

BUYING COMMITTEE INVOLVED

IF SO, DOES A PM-USA INDIVIDUAL PRESENT TO THIS COMMITTEE?

PLEASE EXPLAIN NO BUYER GOES EVERY 3 WKS TO GENERAL MERCH W/ NEW ITEMS

DECISION MAKERS	NAME	COMMITTEE/FINAL DECISION MAKER	TITLE	LOCATION
FIXTURES	DON BATES	FINAL DECISION MKR	V.P.	
SPACE/PLAN AS	ROY POPP	MBR/BUYING COMMITTEE	BUYER	SUNRICH DIV
DIST/NEW BRANDS	ROY POPP	MBR/BUYING COMMITTEE	BUYER	SUNRICH DIV
MERCH PROGRAMS	ROY POPP	MBR/BUYING COMMITTEE	BUYER	SUNRICH DIV
OTHER PROGRAMS			BUYER	
SALEPEOPLE				
ACCT/STATUS/ISSUES	RELUCTANT ON VALUE RACKS, PM OR RJR, CONCERNED FOR POOR SALES OF ON HOUSE GENERICS			

OBJECTIVES ACCEPTANCE ON TEST OF PM CARTON FIXTURES

2024667092

3 - 9

The database could be used by the Section head (i.e., Section Sales Manager or Section Director) along with the Key Account Manager to:

1. Establish specific objective(s) for each key account on an annual, or semi-annual basis.
2. Monitor progress made toward attaining the specific account objective(s).
3. Maintain an accurate, written history of decision-makers at all levels of the chain.
4. Analyze trends in volume, number of outlets, percent self-service stores for a given chain or all chains within the section.

**2024667093**

3 - 10

For example, the database was used to determine the CPW ranking of chains in the Syracuse market. If this information was tracked over time, Key Account Managers might have found a powerful sales story developing on whether their specific account was losing (or gaining) position.

**DATABASE USE**  
**SYRACUSE KEY ACCOUNTS**

**EXAMPLE**

SURVEY TYPE										<u>EXAMPLE</u>					
1=CHAIN		2=TOBACCO ACCOUNT		ACCOUNT		CITY	STATE	CODE AREA MGR	CLASS OF TRADE	TYPE OF CALL	NUMBER OF DIVISIONS	NUMBER OF OUTLETS	NUMBER OF SALESPEOPLE	TOTAL CPW	PM-USA CPW
3=WHSE	NUMBER	NAME													
10	1	10912 WEGMANS MARKET INC	ROCHESTER	NY	1324 SM	NC HQ	1	38			934		350		
7	1	29398 BIG V SUPERMARKETS	FLORIDA	NY	1326 SM	NC HQ	1	32			879		298		
9	1	16488 QUALITY MARKETS	JAMESTOWN	NY	1325 SM	NC HQ	1	23			700		228		
1	1	12690 PRICE CHOPPER	SCHENECTADY	NY	1321 SM	CP DIV	1	58			699		235		
19	1	28112 CARLS DRUGS	ROME	NY	1322 DRUG	CP DIV	1	42			690		220		
17	1	25124 FAIS DRUG CO	LIVERPOOL	NY	1323 DRUG	CP NTL	1	144			588		201		
11	1	12262 TOPS MKTS	BUFFALO	NY	1324 SM	NC HQ	1	63			565		183		
5	1	17472 P & C MARKETS	SYRACUSE	NY	1327 SM	CP DIV	1	65			498		166		
56	1	21042 KINNEY DRUGS	GOVERNEUR	NY	1323 DRUG	NC HQ	1	27			436		163		
25	1	23822 GRAND UNION WATERFORD	WATERFORD	NY	1321 SM	CP DIV	1	132			394		135		
20	1	47308 GREAT AMERICAN	NORWICH	NY	1322 SM	CP DIV	1	82			390		134		
6	1	14504 7-11 NORTHEAST	WHITE PLAINS	NY	1326 CG	CP DIV	1	385			317		131		
15	1	10534 WILSON FARMS	BUFFALO	NY	1324 CG	NC HQ	1	64			234		77		
14	1	29924 B-AMIX MKTS	BUFFALO	NY	1324 CG	NC HQ	1	14			207		66		
21	1	41885 CFM ENTERPRISES	BALLSTON	NY	1321 CG	CP REG	1	68			181		66		
12	1	44054 SUGAR CREEK STORES	ROCHESTER	NY	1324 CG	CP DIV	1	45			170		67		
22	1	13498 STEWARTS ICE CREAM	SARATOGA SPRINGS	NY	1321 CG	NC HQ	1	143			117		44		

2024667094

Additional information could be included in a key account database to make it an even more powerful tool. For example:

- ¶ Address and phone numbers of all key chain decision-makers
- ¶ Specific information on key decision-makers. For example,
  - Favorite sport
  - Spouse's name
  - Child's college
  - Favorite football team.
- ¶ Integrated account summarizes for non-direct chains and intermediaries who serve them.

2024667095

3 - 12

2024667096

#### 4 - PHASE 3 WORKPLAN AND NEXT STEPS

This section presents:

1. A suggested workplan for Phase 3 - Implementation Planning
2. Next Steps.

2024667097

## SUGGESTED PHASE 3 WORKPLAN

Activities	Suggested responsibilities
1. Future salesforce structure <ul style="list-style-type: none"> <li>- Resolve outstanding issues associated with Option B</li> <li>- Develop plan for implementation</li> <li>- Estimate budget requirements</li> </ul>	PM-USA Task Force <ul style="list-style-type: none"> <li>- Larry Zinski*</li> <li>- Doug Nelson</li> <li>- Larry Glennie</li> </ul> McKinsey team
2. Develop skill building programs for Area Managers, Supervisors, and Senior Field Management and upgrade Infrastructure <ul style="list-style-type: none"> <li>- Skill building <ul style="list-style-type: none"> <li>. Determine program objectives and overall standards for skills for each position</li> <li>. Develop specific programs (content, timing, frequency) for each position level</li> </ul> </li> <li>- Infrastructure <ul style="list-style-type: none"> <li>. Determine extent to which recent/planned changes in Sales Services and Sales</li> <li>. Planning meet short- to mid-term needs</li> <li>. Determine future requirements with proposed new programs (e.g., regional marketing) and the added support capabilities these programs imply</li> <li>. Develop specific action plan and timing to build these added capabilities</li> </ul> </li> </ul>	PM-USA Task Force <ul style="list-style-type: none"> <li>- Harvey Glastein*</li> <li>- Larry Glennie</li> </ul> McKinsey team
3. Develop Section planning guidelines <ul style="list-style-type: none"> <li>- Determine extent/type of planning in place today</li> <li>- Establish planning needs of sections (e.g., account objectives, material/fixturing needs)</li> <li>- Develop planning guidelines</li> </ul>	PM-USA Task Force <ul style="list-style-type: none"> <li>- Ed McGuigg</li> <li>- Bob Mikulay</li> <li>- Barry O'Brien</li> <li>- Larry Zinski*</li> </ul> McKinsey team
	PM-USA Task Force <ul style="list-style-type: none"> <li>- Ken Sass*</li> <li>- Jim Kulhman</li> <li>- Bob Kohl</li> </ul> McKinsey team

\* Suggested task force leader

2024667098

## NEXT STEPS

1. Determine the most effective means for syndicating Phase 2 recommendations among senior PM-USA management.
2. Agree on the specific activities to be conducted in Phase 3.
3. Assign explicit responsibilities to both the McKinsey team and PM-USA Task Forces for conducting the proposed work.
4. Identify candidates and assign individuals to the PM-USA Task Forces.

2024667099

20246674100

\* \* \*

#### APPENDIX A - TEST SECTION RESULTS\*

The following pages contain summaries of the results of the working meetings with the Region Directors and the Section Managers of the seven test sections. This appendix includes for each of the seven test sections:

1. A summary of the characteristics of the section
2. A list of the specific accounts assigned to each Key Account Manager
3. The current organization chart for the section
4. Alternatives to the current structure which were discussed prior to the development of Option A.
5. Alternatives which reflect the Option A structure.

\* The seven test sections are: (1) Section 13 - Syracuse, (2) Section 21 - Philadelphia, (3) Section 33 - Jacksonville, (4) Section 41 - Detroit, (5) Section 52 - Dallas, (6) Section 62 - Denver, and (7) Section 72 - Los Angeles

2024667101

**2024667102**

SECTION 13 - SYRACUSE

The following pages contain:

1. The characteristics of the section
2. A list of the specific accounts assigned to the three Key Account Managers recommended for the Syracuse section
3. The section's current organization chart
4. Three alternatives (Number 1 - 3) to the section's current structure which were discussed prior to the development of Option A
5. One alternative (Number 4) which reflects the Option A structure.

2024667103

## SECTION CHARACTERISTICS

### SECTION 13 - SYRACUSE

## Importance of chains

A number of major chains:

- Tops
- Wegman's
- P & C
- Price Chopper
- Grand Union
- Biq Y

## Geography and population centers

State of New York

- Population Centers
- Rochester
- Syracuse
- Albany
- Buffalo

## Current structure

3 SSS; 10 Division Managers; and  
7 Area Managers.

5-6 total direct reports for each supervisor

### 2-3 Area Managers for each supervisor

2024667104

KEY ACCOUNT MANAGER  
ACCOUNT RESPONSIBILITY  
SECTION 13 - Syracuse

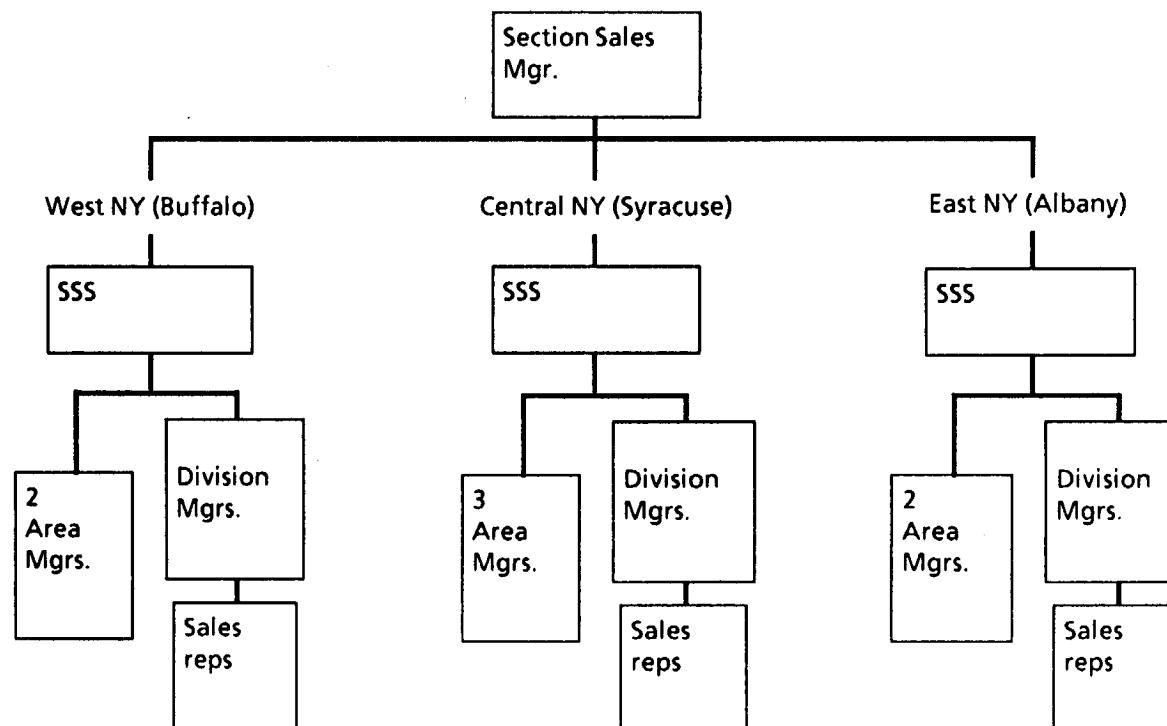
	Buffalo	Syracuse	Albany
S/M	Quality - 23 Stores Tops* - 66 Wegmans* - 37	P & C* - 64 Stores Great American - 85	Price Chopper - 57 Stores Grand Union - 134 Big Y - 32
Convenience/ Gas	Wilson Farms - 62 B-Kwik - 14 Sugar Creek - 44		CFM - 69 Stewarts - 144 7-Eleven - 357
Drug	-	Fays - 140 Carls - 43 Kinney - 23	
W/G	Niagara Frontier Tripi* PJ Schmidt	McLane N.E. P & C Inc. Victory* Whalen	Golub* Stewarts
Distributors	-	Herkimer	Modern
Total	9 accounts	10 accounts	9 accounts

\* Also warehouse call at same location/account

2024667105

**FIELD SALES FORCE STRUCTURE  
SECTION 13 (HEADQUARTERS - SYRACUSE)**

**CURRENT**

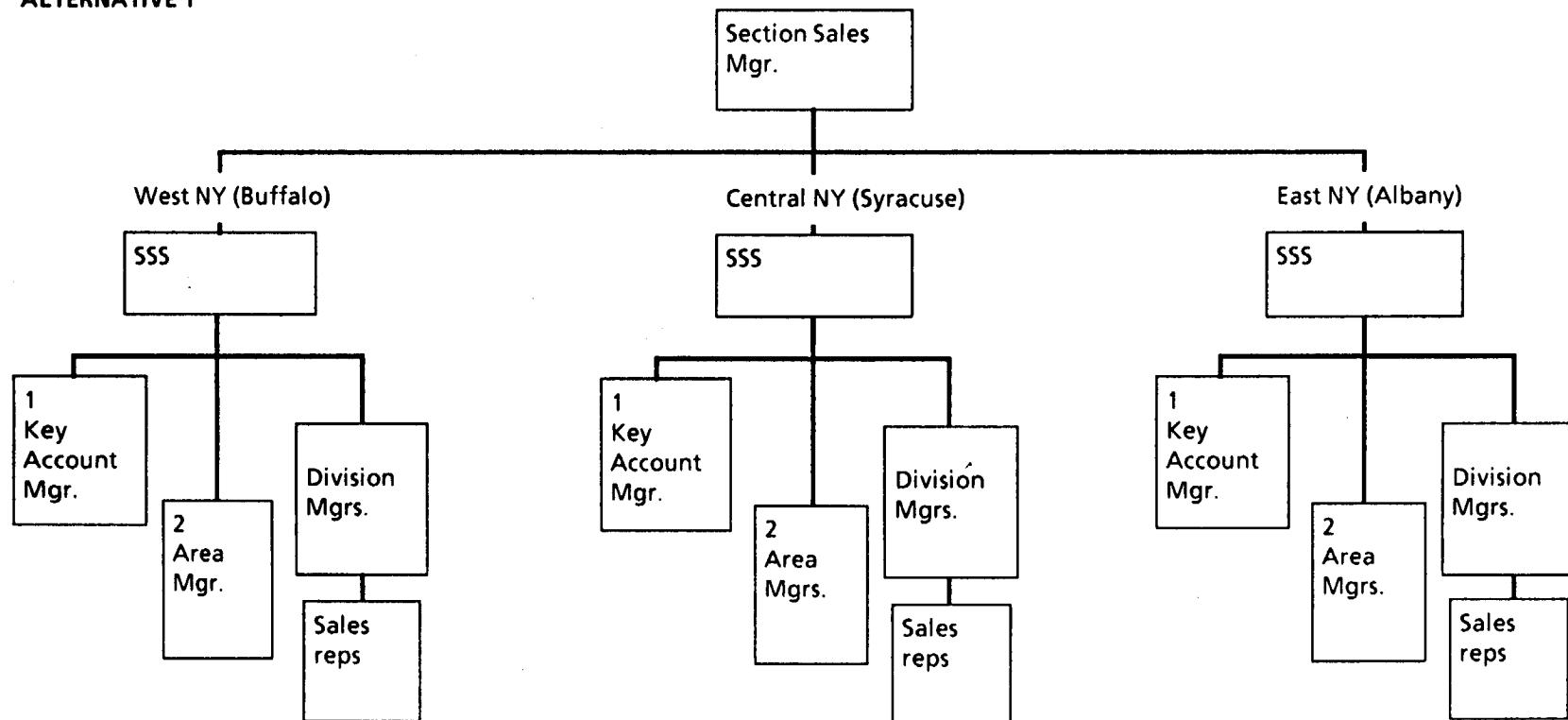


**2024667106**

**A - 5**

## FIELD SALES FORCE STRUCTURE SECTION 13 (HEADQUARTERS – SYRACUSE)

### ALTERNATIVE 1



#### Advantages

- Minisection eases retail implementation for chains

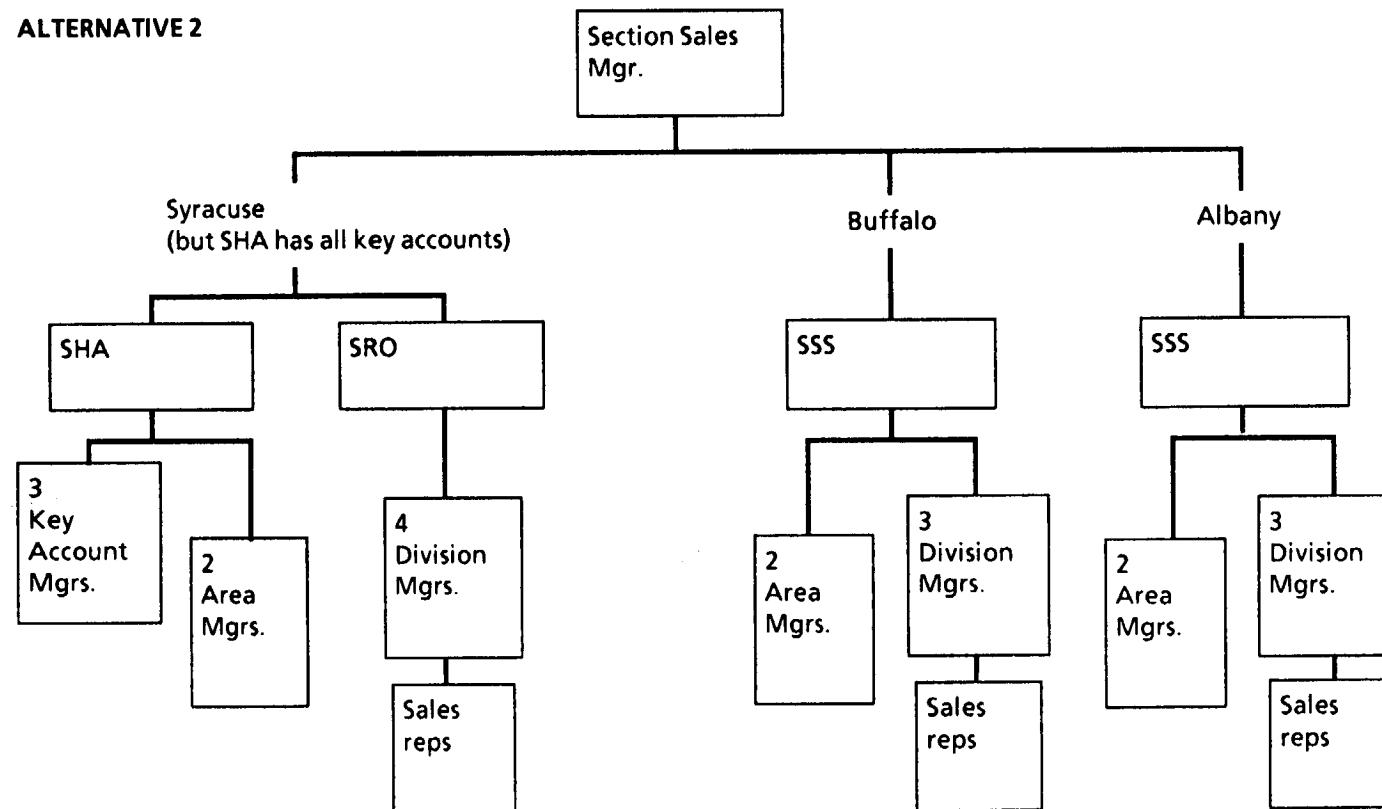
2024667107

#### Disadvantages

- Key Account Managers/Account Managers get little supervision/training from SSSs

**FIELD SALES FORCE STRUCTURE  
SECTION 13 (HEADQUARTERS – SYRACUSE)**

**ALTERNATIVE 2**



**Advantages**

- Key Account Managers get focused training/supervision from section office-based supervisor

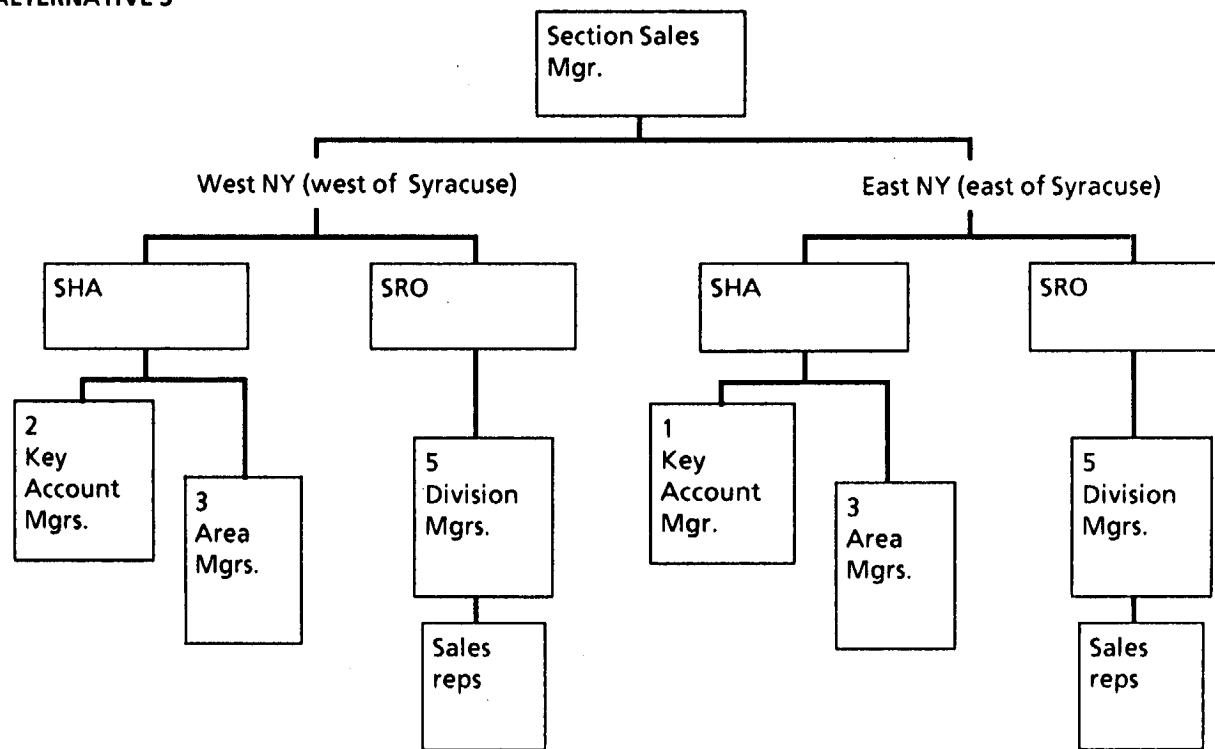
2024667108

**Disadvantages**

- Retail chain implementation could be difficult; SHA could be involved in resolving conflict with 3 retail supervisors (Key Account Managers/ District Manager communication unchanged from Alternative 1)

## FIELD SALES FORCE STRUCTURE SECTION 13 (HEADQUARTERS – SYRACUSE)

### ALTERNATIVE 3



#### Advantages

- Key Account Managers/Account Managers get focused training/supervision from SHA
- More manageable spans of control
- SHA coordinates with just 1 SRO

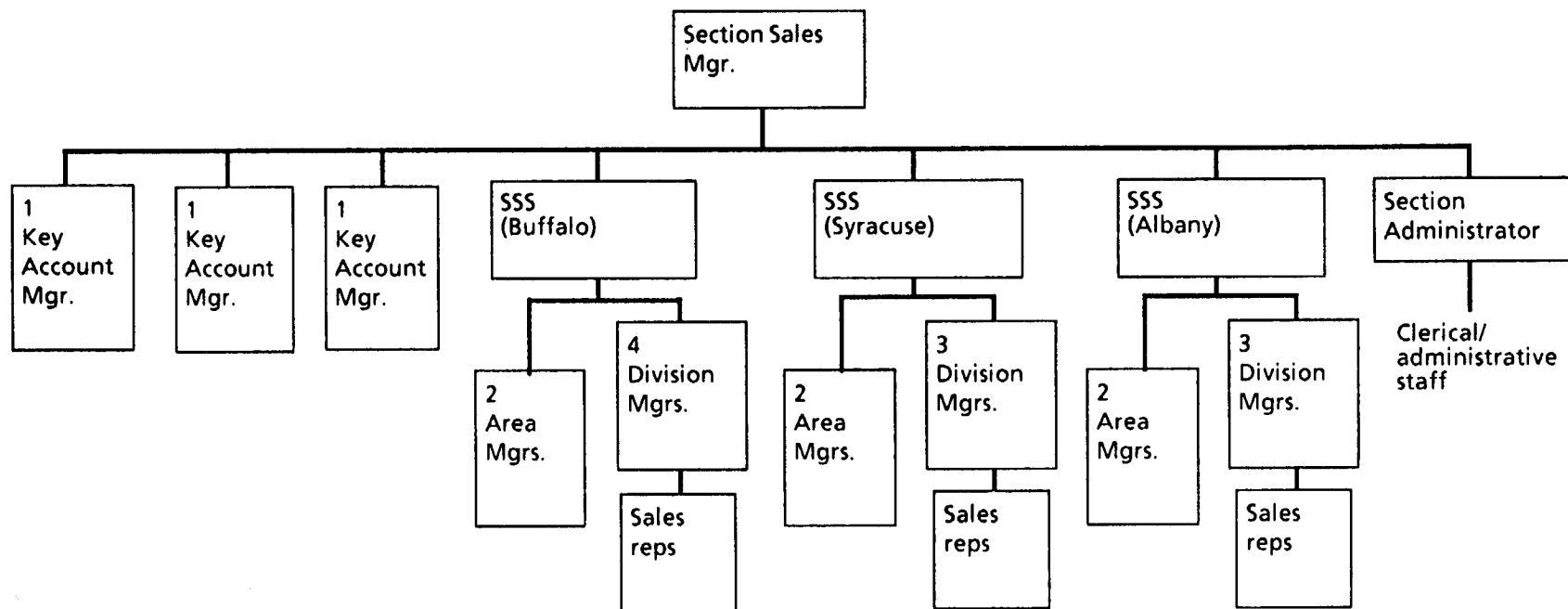
#### Disadvantages

- Retail implementation of chain decisions could be more difficult than with SSS
- Poor geographic split; significant travel for all supervisors

2024667109

**FIELD SALES FORCE STRUCTURE  
SECTION 13 (HEADQUARTERS - SYRACUSE)**

**ALTERNATIVE 4**



2024667110

A - 9

**2024667111**

## SECTION 21 - PHILADELPHIA

The following pages contain:

1. The characteristics of the section
2. A list of the specific accounts assigned to the three Key Account Managers recommended for the Syracuse section
3. The section's current organization chart
4. Four alternatives (Number 1 - 4) to the section's current structure which were discussed prior to the development of Option A
5. One alternative (Number 5) which reflects the Option A structure.

202466712

SECTION CHARACTERISTICS  
SECTION 21 - PHILADELPHIA

Significance of chains

In the Philadelphia market, the top three supermarket chains comprise 58% of food store sales but in the state overall independents account for 50% of store sales

Major chains in state include:

- Acme	- 7 Eleven
- Weis	- WAWA
- Giant Eagle	- Turkey Hill

Geography and population centers

State of Pennsylvania

3 Population Centers

- Philadelphia
- Harrisburg
- Pittsburgh

Current structure

2 SSSs; 1 SHA; 1 SRO; 12 Division Managers; and 10 Area Managers  
5 to 7 direct reports to each

2024667113

A - 11

KEY ACCOUNT MANAGER  
ACCOUNT RESPONSIBILITY  
SECTION 21 - Philadelphia

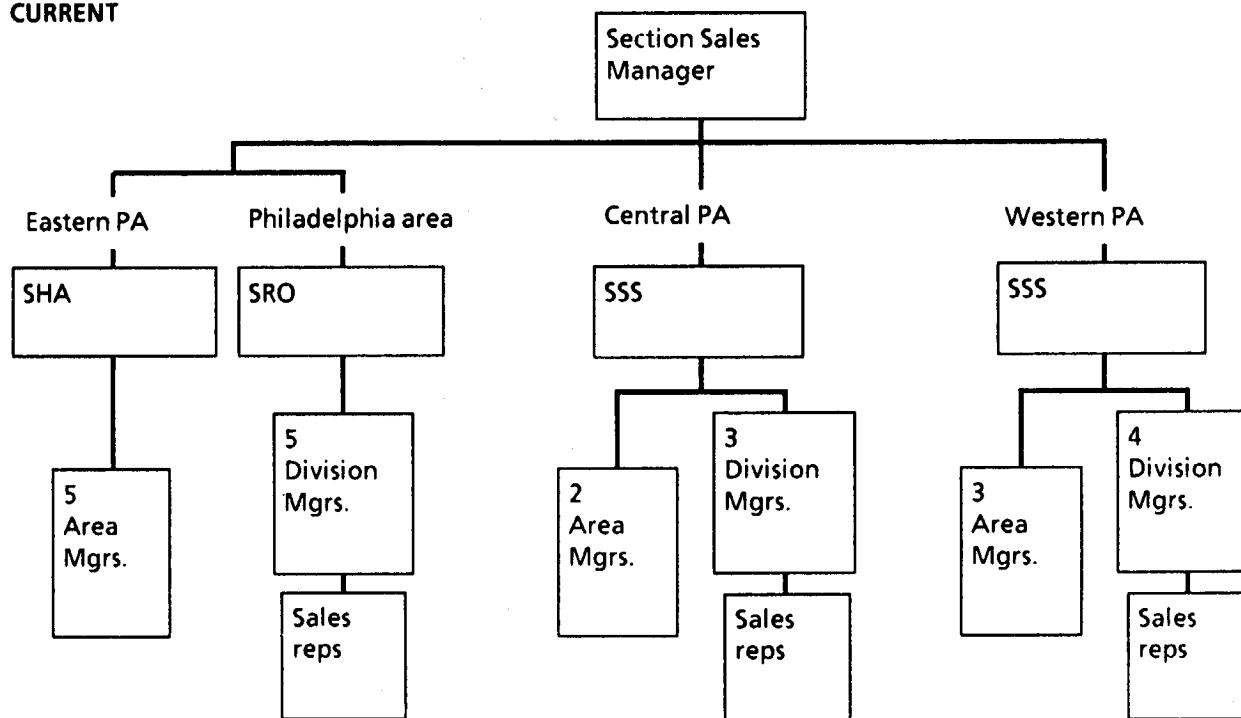
	<u>Philadelphia</u>	<u>Harrisburg</u>	<u>Pittsburgh</u>
S/M	Acme - 200 Stores - Headquarters - Division*	Weis Markets - 120 Stores Giant Markets - 40	Giant Eagle - 60 Stores
Convenience/Gas	7-Eleven Division - 350 Stores WAWA*	Penn Dairies - 70 Turkey Hill - 175	Stop N Go - 33 Go-Go - 69
Drug		Rite Aid (Ntl. Hdq.) - 1400 Stores Drug Palace - 7	Thrift Drug* - 375
W/G		Miller & Hartman	
Distributors	United Distributor Delaware T & C Park Jensen	WRAC (Rite Aid's Whse.) Wetterau - Pittsburgh Charlie Bros. O-K Grocer (Supplies Giant) Lipschutz Liberty Candy	
Total	7 accounts	8 accounts	9 accounts

\* Also warehouse call at same location/account

2024667114

**FIELD SALES FORCE STRUCTURE  
SECTION 21 (HEADQUARTERS - PHILADELPHIA)**

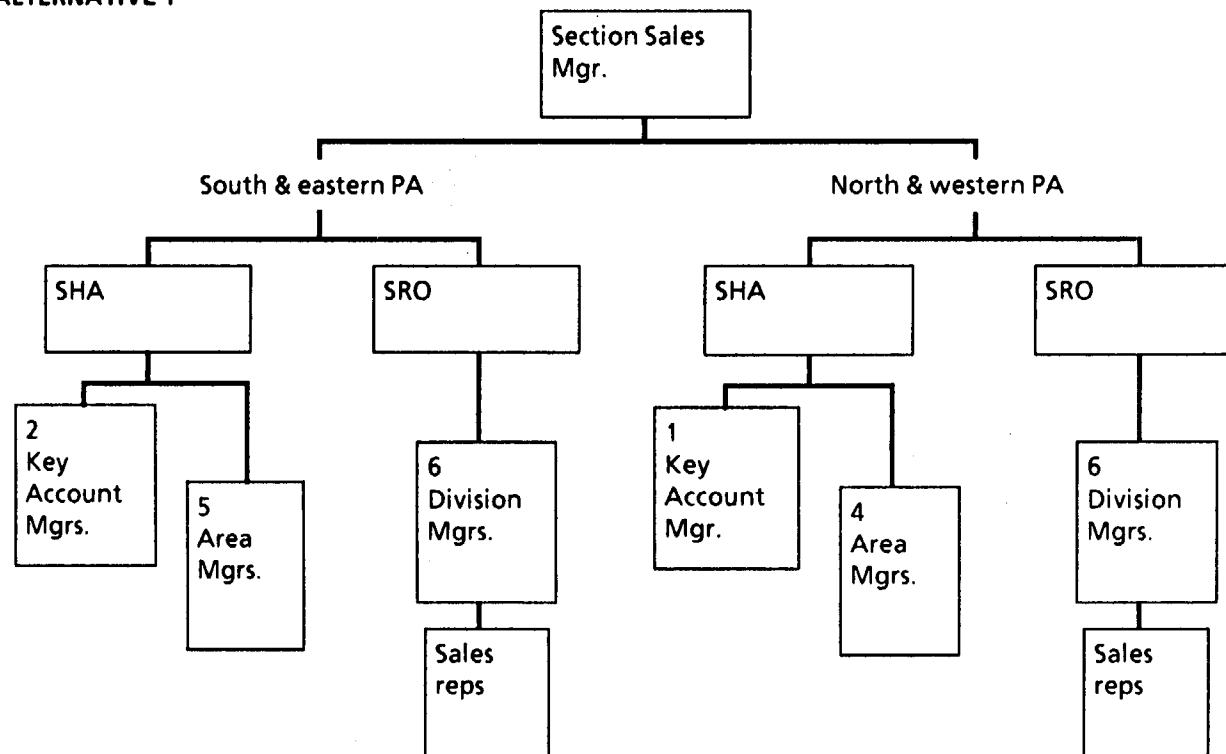
**CURRENT**



**202466715**

## FIELD SALES FORCE STRUCTURE SECTION 21 (HEADQUARTERS – PHILADELPHIA)

### ALTERNATIVE 1



#### Advantages

- Specialty supervision overall
- SHA has fewer personnel/adm. concerns
- SHA accountable for chain results

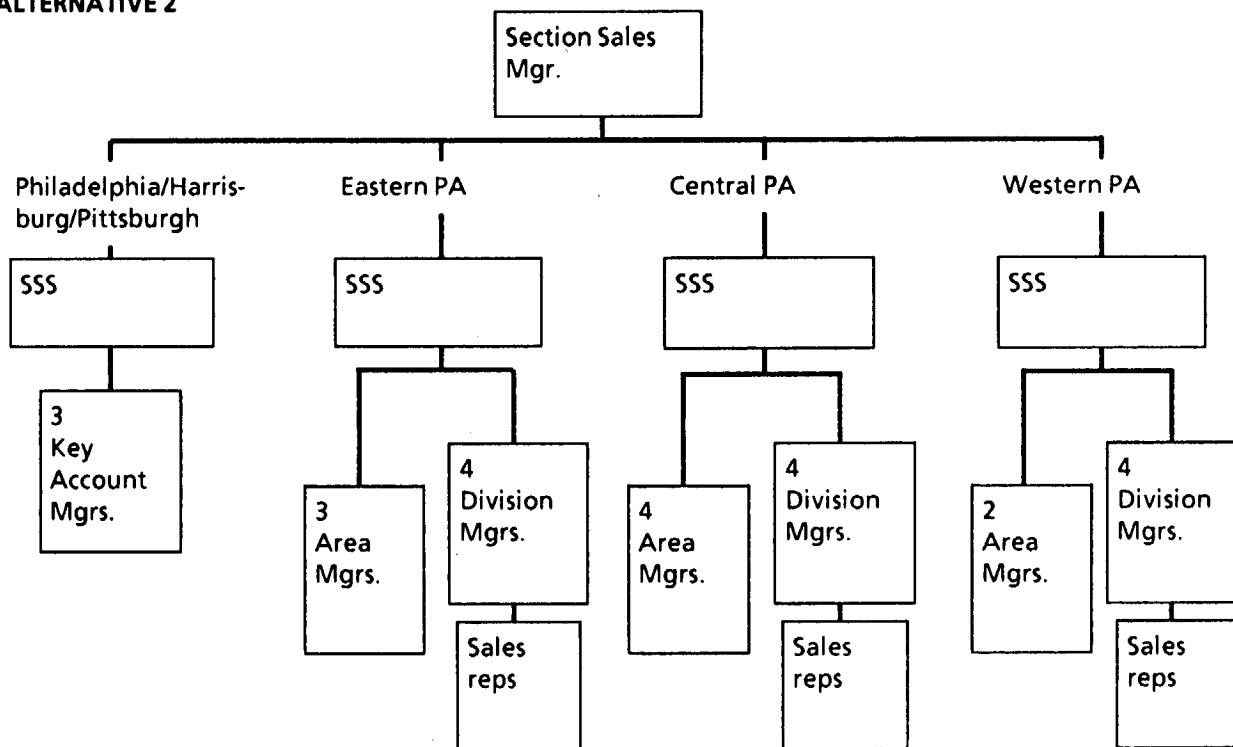
#### Disadvantages

- Difficulty in getting retail cooperation in implementing chain decisions
- Career track of future SSMs

2024667116

## FIELD SALES FORCE STRUCTURE SECTION 21 (HEADQUARTERS – PHILADELPHIA)

### ALTERNATIVE 2



#### Advantages

- More focused supervision for Key Account Managers
- Better team spirit via minisections
- SHA accountable for results at all key accounts

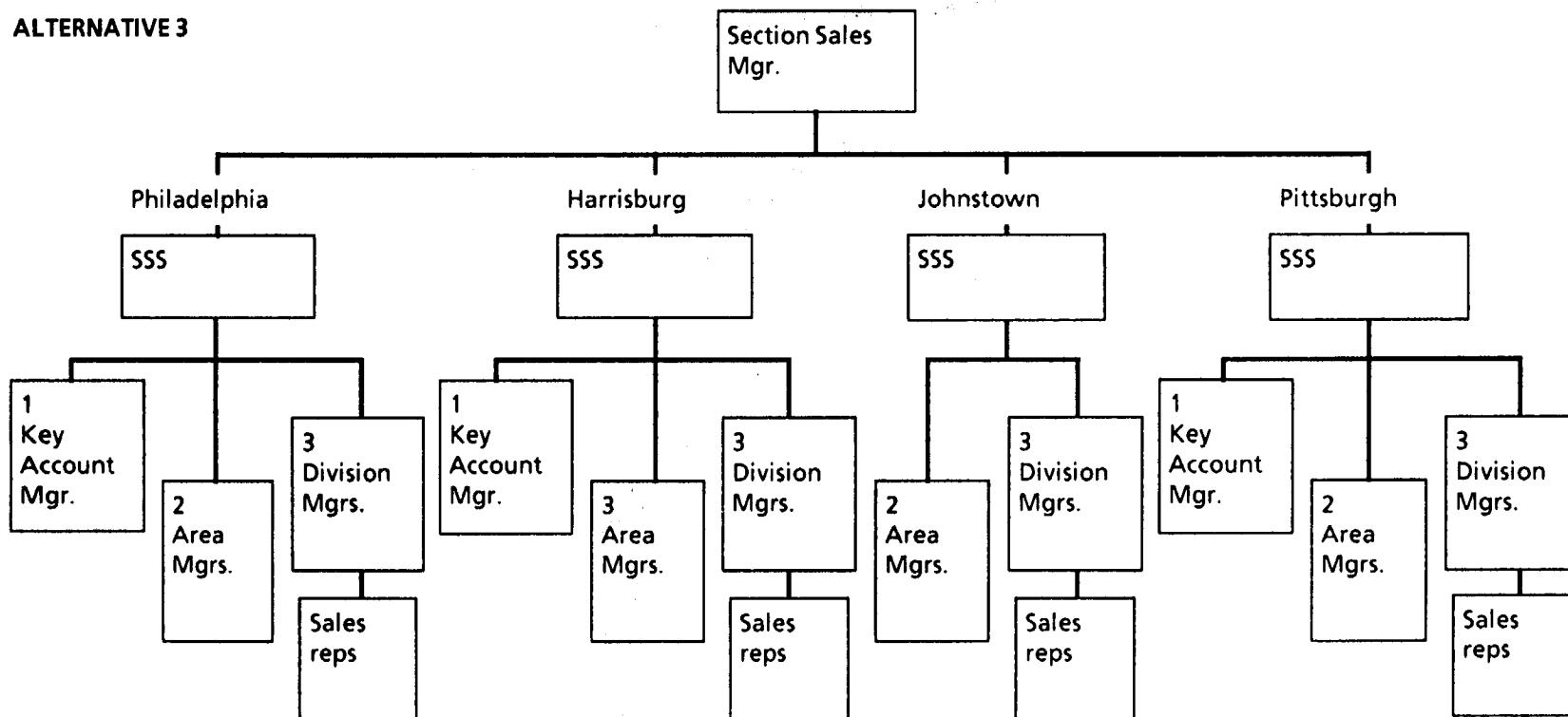
#### Disadvantages

- Geographic reach of SHA
- Problems with Key Account Manager implementation may involve 3 or more SSSs

2024667117

## FIELD SALES FORCE STRUCTURE SECTION 21 (HEADQUARTERS – PHILADELPHIA)

### ALTERNATIVE 3



#### Advantages

- Better team spirit with minisections
- Account Manager implementation largely within minisection

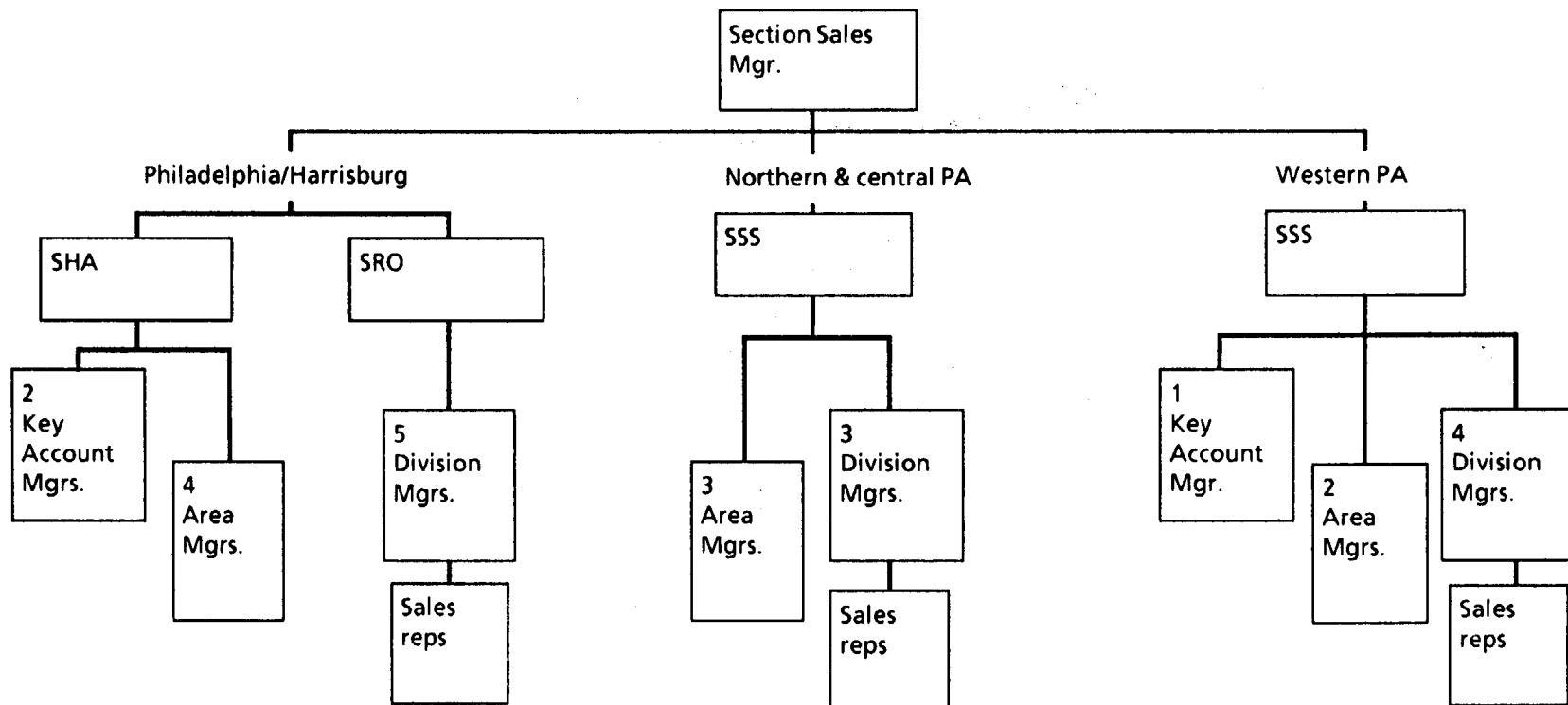
202466718

#### Disadvantages

- Poor geographic breaks; minisections too small
- Needs of Division Managers could result in little supervision for Key Account Managers/Area Managers
- Key Account Managers communication out of minisection

## FIELD SALES FORCE STRUCTURE SECTION 21 (HEADQUARTERS - PHILADELPHIA)

### ALTERNATIVE 4



#### Advantages

- Most heavy chain area has SHA for more focused supervision
- Good geographic break

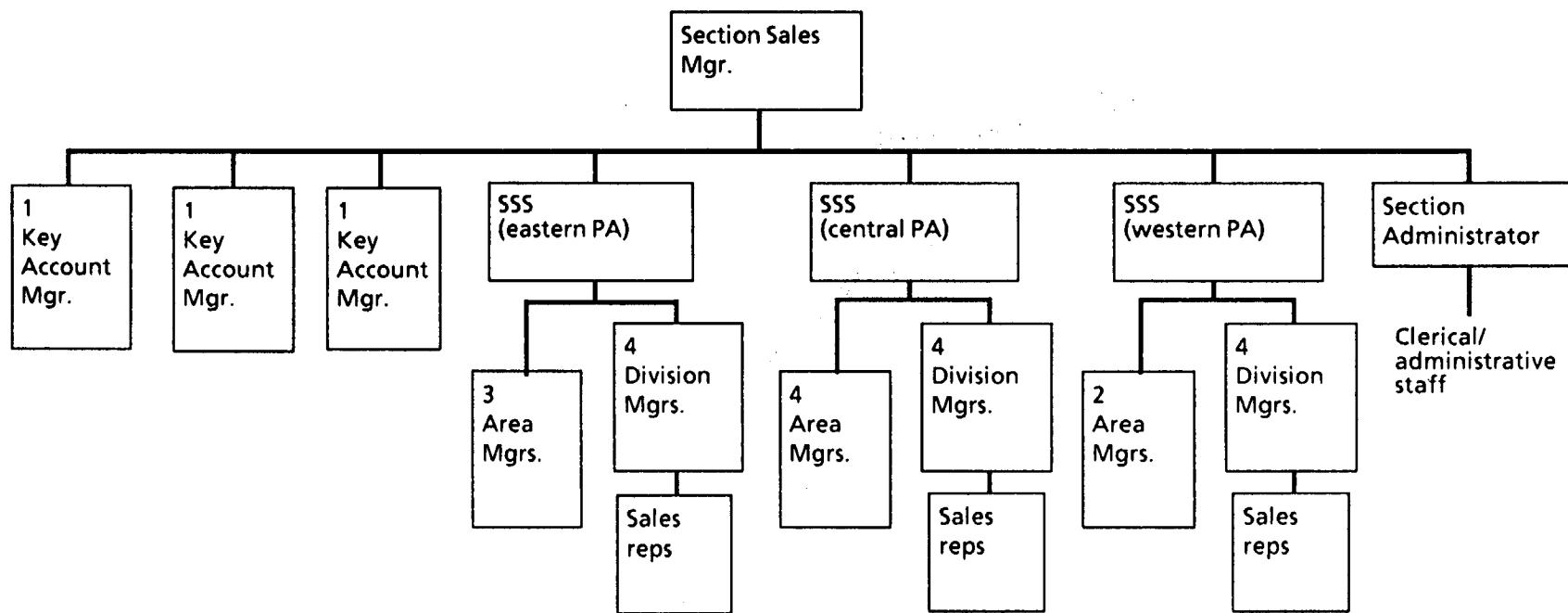
#### Disadvantages

- Lack minisection cooperation/team spirit in Philadelphia area
- Key Account Managers must still communicate out of minisection

202466719

**FIELD SALES FORCE STRUCTURE  
SECTION 21 (HEADQUARTERS - PHILADELPHIA)**

**ALTERNATIVE 5**



2024667120

A - 18

**2024667121**

---

Section 33  
Jacksonville

Source: <https://www.industrydocuments.ucsf.edu/docs/phjl0000>

## SECTION 33 - JACKSONVILLE

The following pages contain:

1. The characteristics of the section
2. A list of the specific accounts assigned to the two Key Account Managers recommended for the Syracuse section
3. The section's current organization chart
4. Four alternatives (Number 1 - 4) to the section's current structure which were discussed prior to the development of Option A
5. One alternative (Number 5) which reflects the Option A structure.

2024667122

**SECTION CHARACTERISTICS**  
**SECTION 33 - JACKSONVILLE**

**Significance of chains**

- One dominant chain - Winn Dixie
- Strong convenience/gas market

**Geography and population centers**

- Northern Florida and Southern Georgia and Alabama
- One major population center - Jacksonville. Three other population centers - Mobile, Montgomery, and Pensacola

**Current structure**

- One SHA; 1 SRO, and 7 Division Managers; and 6 Area Managers

**2024667123**

KEY ACCOUNT MANAGER  
ACCOUNT RESPONSIBILITY  
SECTION 33 - Jacksonville

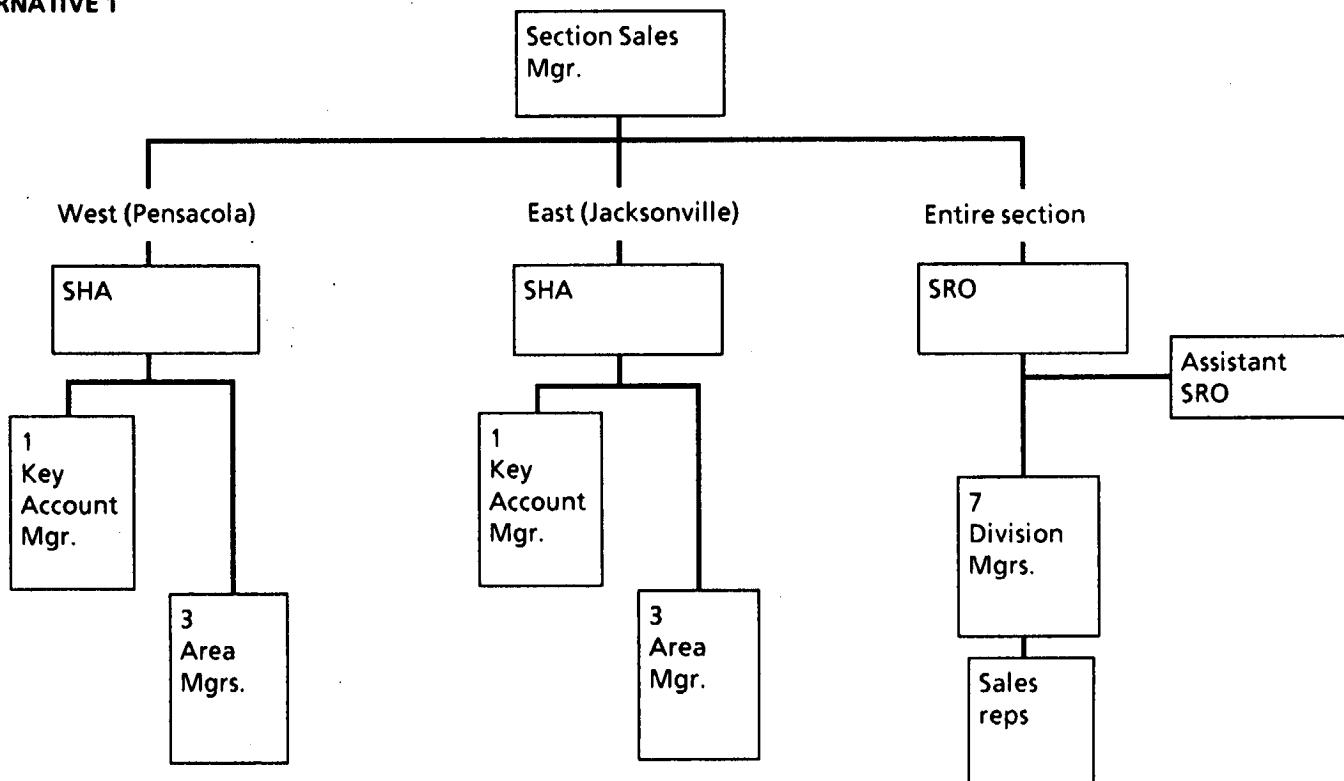
	Pensacola	Jacksonville
S/M	Winn Dixie (Montgomery) - 128 Stores Delchamps - 85 Dixieland* - 62	Winn Dixie (Division) - 85 Stores Winn Dixie - Corporate hdqrts. for 13 divisions
C/G	Sunshine Jr. - 334 Tom Thumb - 103 Circle K - 206	Miller Ent. - 132 C/G; 8 S/M Lil Champ - 185 Huntley Jiffy - 306
Drug/MM		Charter Mktg. - 290 Pic N Save - 38
W/G	Fleming Eli Witt - Mobile  8 accounts	Certified Grocers of Florida Eli Witt - Jacksonville  9 accounts

\* Also warehouse call at same location/account

2024667124

## FIELD SALES FORCE STRUCTURE SECTION 33 (HEADQUARTERS – JACKSONVILLE)

### ALTERNATIVE 1



#### Advantages

- Key Account Managers/Account Managers have focused training/supervision
- Good geographic split for key accounts

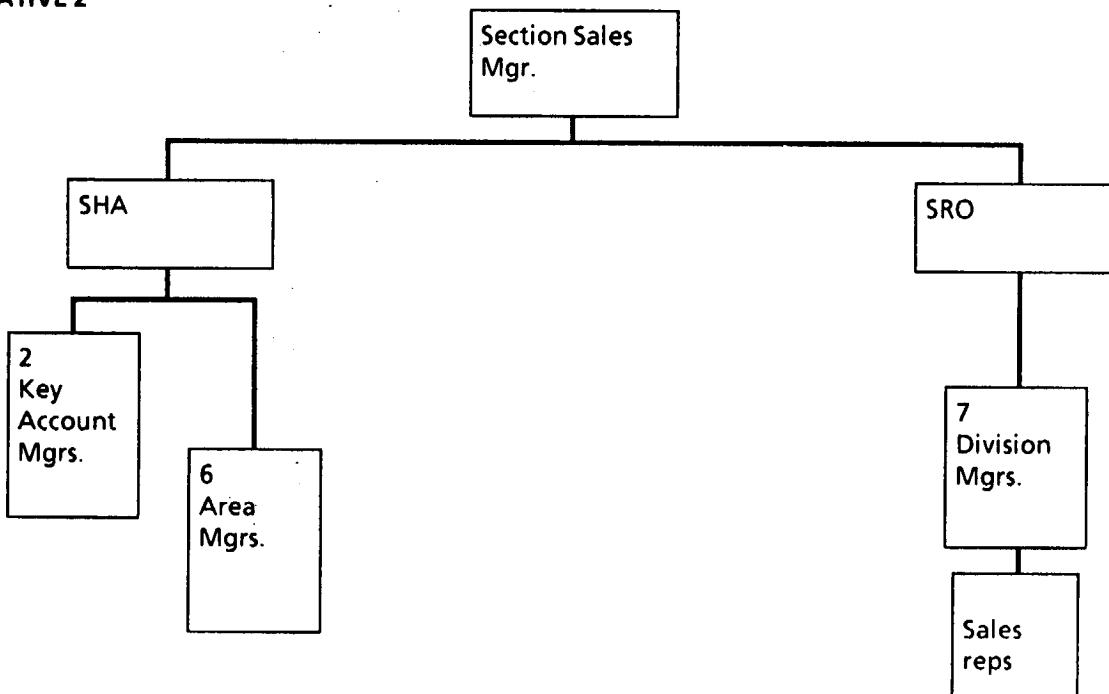
#### Disadvantages

- SRO still has large span of control
- Retail implementation of chain decisions may be more difficult (but SSM/DRS reported no problems with current structure)

5024667125

## FIELD SALES FORCE STRUCTURE SECTION 33 (HEADQUARTERS – JACKSONVILLE)

### ALTERNATIVE 2



#### Advantages

- Key Account Managers/Account Managers have focused training/supervision

#### Disadvantages

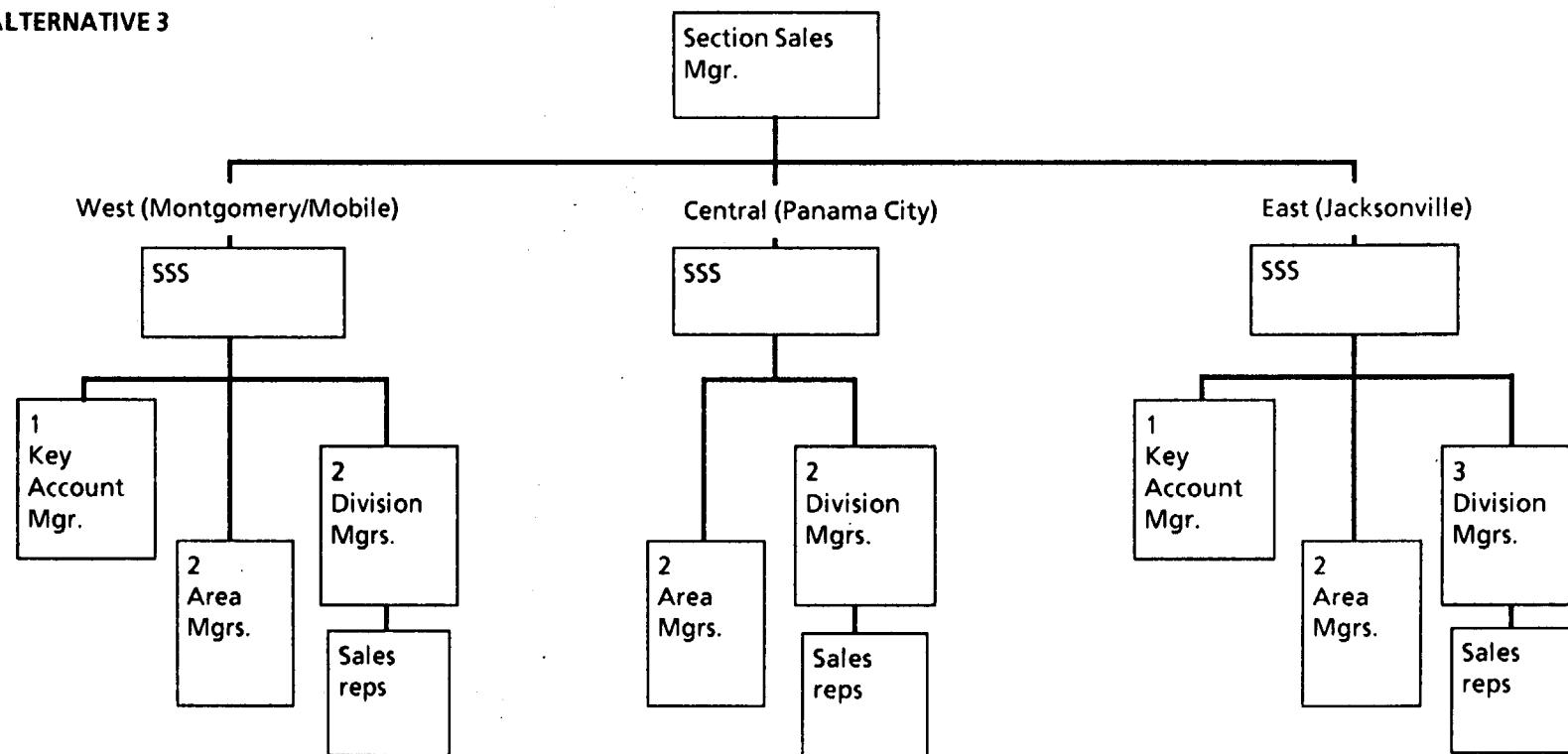
- Span of control, especially for SHA, is too large
- Territories large; lots of travel for both supervisors
- Retail implementation of chain decisions may be more difficult than with SSS (but SSM/DRS reported no problems with current structure)

2024667126

A - 24

## FIELD SALES FORCE STRUCTURE SECTION 33 (HEADQUARTERS - JACKSONVILLE)

### ALTERNATIVE 3



#### Advantages

- Best span of control for supervisors
- Possible to improve retail implementation (but SSM/DRS reported no problems with current structure)

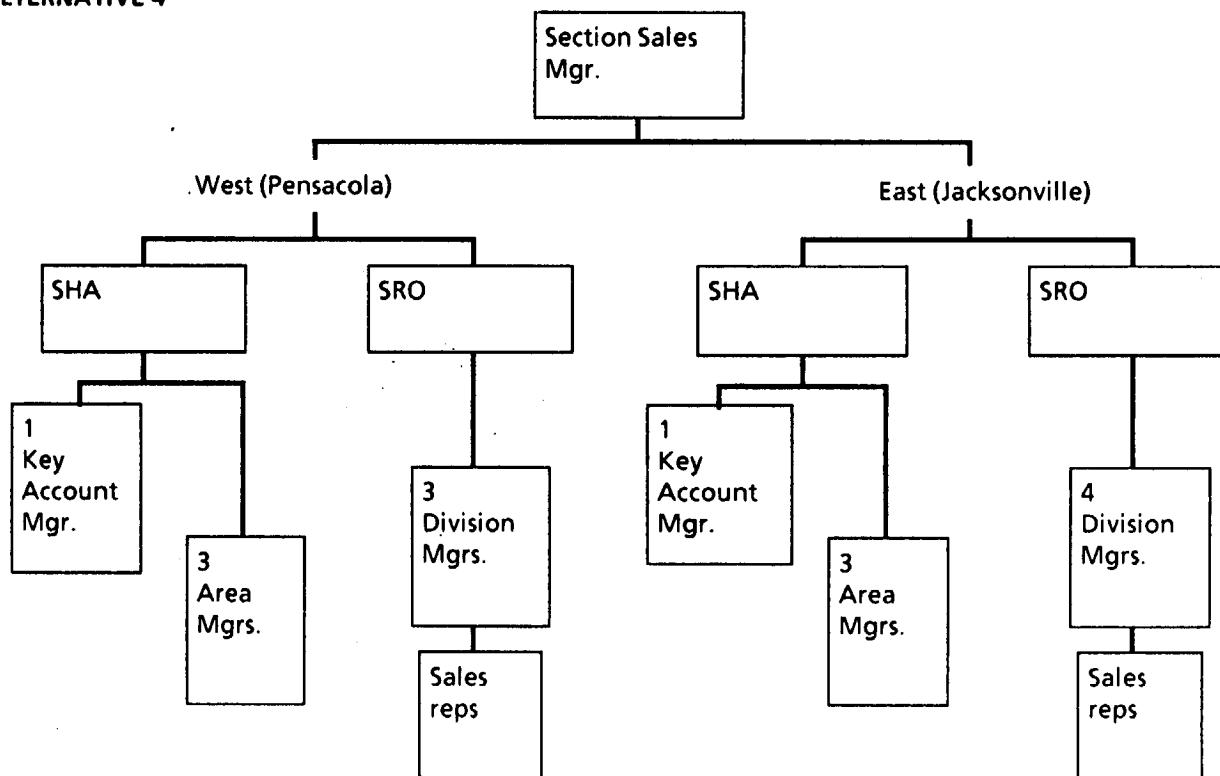
#### Disadvantages

- Key Account Managers/Account Managers will not get focused attention from SSS
- Not best geographic split; west Key Account Manager in central

2024667127

## FIELD SALES FORCE STRUCTURE SECTION 33 (HEADQUARTERS - JACKSONVILLE)

### ALTERNATIVE 4



#### Advantages

- Key Account Managers/Account Managers have focused training/supervision
- Good geographic split

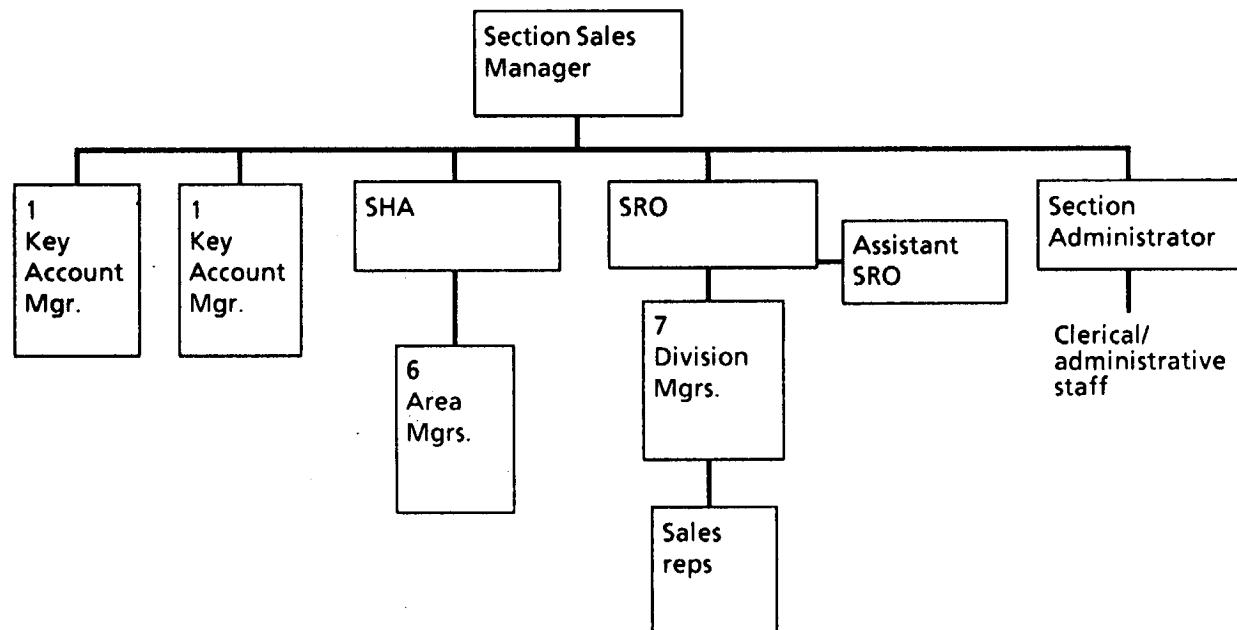
8254697128

#### Disadvantages

- Overall spans of control are too small
- Possibly more difficult to implement chain decisions than with SSS (although SSM/DRS reported no problems with current structure)

**FIELD SALES FORCE STRUCTURE  
SECTION 33 (HEADQUARTERS – JACKSONVILLE)**

**ALTERNATIVE 5**



2024667129

A - 27

**2024667130**

---

**Section 41**  
**Detroit**

Source: <https://www.industrydocuments.ucsf.edu/docs/phjl0000>

## SECTION 41 - DETROIT

The following pages contain:

1. The characteristics of the section
2. A list of the specific accounts assigned to the two Key Account Managers recommended for the Syracuse section
3. The section's current organization chart
4. Three alternatives (Number 1 ~ 3) to the section's current structure which were discussed prior to the development of Option A
5. One alternative (Number 4) which reflects the Option A structure.

2024667131

SECTION CHARACTERISTICS  
SECTION 41 - DETROIT

Significance of chains

Detroit supermarkets have undergone major restructuring; the smaller regional chains are stronger. The few large chains include:

- A&P
- Kroger
- Borman's

Also, K mart is headquartered here

Geography and population centers

State of Michigan

2 population centers

- Detroit
- Grand Rapids

Current structure

3 SSSs; 12 Division Managers; and and 7 Area Managers

2024667132